OVERVIEW

We are a leading healthcare company in the PRC with business operations strategically covering multiple important segments in the healthcare industry value chain. We have expanded rapidly through organic growth, acquisitions and strategic investments. We have gained significant experience through integrating acquired businesses and assisting our associates in strengthening and expanding their operations. Our business segments include pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services[(1)], and diagnostic products and medical devices. We believe we have established competitive advantages in each of these segments.

Our core business is the research and development, manufacturing, and sales and marketing of pharmaceutical products. Our pharmaceutical manufacturing business has grown rapidly since we entered the segment in 2002. According to IMS[(2)], we are one of the top five domestic pharmaceutical companies[(3)] in the PRC by revenue from the pharmaceutical manufacturing segment in 2011, and one of the youngest among the top five companies.

In January 2003, Shanghai Fosun Industrial Investment and CNPGC jointly established Sinopharm with 49% and 51% shareholding, respectively. In May 2004, Shanghai Fosun Industrial Investment transferred its 49% equity interest in Sinopharm to our Group. As at the Latest Practicable Date, we beneficially held a 32.1% equity interest in Sinopharm[(4)]. Sinopharm has experienced significant growth since its establishment. According to public information released by Sinopharm, it is the largest distributor and a leading provider of supply chain services for pharmaceutical and healthcare products in China in terms of its market share and the geographical coverage of its distribution network and operates the largest pharmaceutical distribution network in China in 2011.

Since 2009, our strategic plans have included entering the premium, specialty and general healthcare services markets in the PRC. We currently participate in the premium healthcare services market through our investment in Chindex, in which we held an 18.52% equity interest as at the Latest Practicable Date, and have begun providing quality services in the specialty and general healthcare market through the acquisition and operation of hospitals.

We have the following business segments in the PRC:

- *Pharmaceutical manufacturing*. We engage in the research and development, manufacturing, and sales and marketing of pharmaceutical products. For the year ended 31 December 2011 and the six months ended 30 June 2012, the external revenue of our pharmaceutical manufacturing segment was RMB3,830.8 million and RMB2,175.9 million, respectively, representing 59.6% and 62.8%, respectively, of our total revenue for the same periods.

Notes:

(1) We participated in the healthcare services business through our investment in Chindex prior to October 2011 and through the operations of our subsidiaries and our investment in Chindex since October 2011.

(2) IMS data reflects purchases of drugs by hospitals with more than 100 beds at hospital purchase price (representing approximately 60% of the overall hospital market in terms of revenue according to IMS) instead of consumption by individual patients at retail prices. IMS data is projected for the market based on statistical analysis and actual data from hospitals on its panel.

(3) Includes only companies that are actually controlled by PRC citizens or entities.

(4) Sinopharm's financial accounts are not consolidated into our Group's financial statements and we have accounted for our equity investments in Sinopharm using the equity method of accounting.

- *Pharmaceutical distribution and retail*. We participate in the pharmaceutical distribution industry in the PRC primarily through our strategic partnership with CNPGC, with whom we founded Sinopharm. We also have developed a network of retail pharmacies which we operate directly or through franchisees mainly in Beijing and Shanghai. As at 30 June 2012, we had a total of 670 retail pharmacies, of which we directly operated 146 pharmacies and our franchisees operated 524 pharmacies.

- *Healthcare services*. We participate in the premium, specialty and general healthcare services markets in the PRC through the United Family hospitals of Chindex, and operation of healthcare institutions such as Jimin Cancer Hospital and Guangji Hospital.

- *Diagnostic products and medical devices*. We engage in the research and development, manufacturing, and sales and marketing of diagnostic reagents and equipment, blood transfusion equipment and surgical consumables, as well as in the distribution of imported high-end medical equipment.

We are a public company in the PRC with our headquarters located in Shanghai. Our A Shares have been listed on the Shanghai Stock Exchange since August 1998. As at the Latest Practicable Date, our market capitalization was RMB20,834.1 million. Benefiting from the rapidly growing PRC economy and our strong capability in operation and integration, we have strategically expanded our business and operating results through organic growth, acquisitions and strategic investments. During the Track Record Period, our revenue increased from RMB3,850.3 million in 2009 to RMB4,528.8 million in 2010, and further to RMB6,432.6 million in 2011. Our net profit, defined as after tax profit attributable to owners of our Company, amounted to RMB2,501.0 million, RMB863.7 million and RMB1,166.2 million in 2009, 2010 and 2011, respectively. For the six months ended 30 June 2012, our revenue was RMB3,464.1 million and our net profit was RMB701.8 million.

Pharmaceutical Manufacturing

We are one of the top five domestic pharmaceutical companies in the PRC by revenue from the pharmaceutical manufacturing segment in 2011, according to IMS[(5)]. As at 30 June 2012, we had obtained manufacturing permits for 1,002 pharmaceutical products, including 913 finished products and 89 APIs. Of the 913 manufacturing permits[(6)] for finished products, we currently produce 625 drugs, which include 9 biopharmaceutical drugs, 458 chemical drugs and 158 modern Chinese medicines. As at 30 June 2012, 477 of our finished products, including all 19 of our major prescription drugs, were included in the National Medical Insurance Drugs Catalog and an additional 122 of them were included in the Provincial Medical Insurance Drugs Catalogs.

Notes:

(5) IMS data reflects purchases of drugs by hospitals with more than 100 beds at hospital purchase price (representing approximately 60% of the overall hospital market in terms of revenue according to IMS) instead of consumption by individual patients at retail prices. IMS data is projected for the market based on statistical analysis and actual data from hospitals on its panel.

(6) Due to the difference in dosage and specification, one product may have multiple manufacturing permits.

A number of our pharmaceutical products in various therapeutic areas, including metabolism and alimentary tract, cardiovascular system, central nervous system, blood system and anti-infection, enjoyed leading positions in terms of sales in their respective market segments in the PRC in 2011. Our key pharmaceutical products with sales of over RMB100 million in 2011 include Atomolan, Wan Su Ping, Wan Su Lin, Mo Luo Dan, Su Ke Nuo, Ao De Jin, Bang Ting, anti-tuberculosis series and Xi Chang[(7)]. As at 30 June 2012, our sales team for the pharmaceutical manufacturing segment, which comprised over 1,500 sales representatives, marketed our pharmaceutical products to hospitals in 29 provinces, autonomous regions and municipalities throughout the PRC. Our products were also distributed through over 2,000 distributors in the PRC. In addition to sales in the PRC, we also export certain finished products, APIs and intermediate products to overseas markets, including the U.S., Europe, and certain African countries. For the year ended 31 December 2011 and the six months ended 30 June 2012, our revenue from exports of finished products, APIs and intermediate products amounted to RMB756.9 million and RMB384.0 million, respectively.

We have significant competitive strengths in the research and development of pharmaceutical products in China. Our research and development activities focus primarily on innovative drugs, biopharmaceutical generic drugs and first-to-market chemical generic drugs in a number of major therapeutic areas, including metabolism and alimentary tract, cardiovascular system, oncology, central nervous system and anti-infection. We have established specialized research and development platforms and have built an international research and development team with operations in Shanghai, Chongqing and the U.S.. Our U.S. operations are dedicated to the research and development of small molecule chemical drugs and large molecule biopharmaceutical drugs such as monoclonal antibodies. During the Track Record Period, we successfully developed and obtained manufacturing permits for 39 products in China, and we also obtained new drug certificates for some of these products, including You Di Er, Bang Zhi, compound artesunate series, and ethambutol hydrochloride, pyrazinamide rifampicin and isoniazid tablets. As at 30 June 2012, we had over 100 pipeline products. These pipeline products include 16 products that are pending approval for production, five products that are at various stages of clinical trials, and 13 products that are pending approvals to enter clinical trials. We also have several monoclonal antibody products under development. During the Track Record Period, our internally developed major products, namely, Atomolan tablets, Ke Yuan, Bang Tan, Bang Zhi, You Di Er, Eluzer and Shaduolika, accounted for 11.3%, 10.4%, 8.8% and 11.4% of our revenue from major products (which are set out in the table starting on page 171 in this section of the prospectus) for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. During the Track Record Period, our research and development expenditure, which include research and development expenses and capital expenditure to improve production capacity and efficiency, on average accounted for 8% to 10% of the external revenue of our pharmaceutical manufacturing segment.

We have a research center that is recognized as a "National Recognized Enterprise Technology Center" (國家級企業技術中心), and are qualified or recognized as a "National Key High and New Technology Enterprise" (國家重點高新技術企業), a "National Patent Pilot Enterprise" (全國企事業專利示範單位), an "Enterprise-based Post-doctoral Scientific Research Workstation" (企業博士後科研工作站), and a "National Innovative Enterprise" (國家級創新型企業).

Notes:

(7) We completed the acquisition of Aohong Pharma in September 2011. Ao De Jin and Bang Ting subsequently became two of our major products.

As at 30 June 2012, we had a total of 148 production lines at our 18 production facilities throughout China, which are located in Shanghai, Chongqing, Liaoning, Hubei, Guangxi, Hunan, Guangdong, Jiangsu, Hebei and Sichuan. All of the pharmaceutical production lines had obtained the PRC GMP certification, five API production lines had received certifications of the food and drug administrative agencies of the U.S. and the European Union, one production line of solid dosage drugs and one production line of injection products had received prequalification suppliers certification of the WHO, and one production line of solid dosage drugs had passed GMP on-site inspection and received certification of Canada's pharmaceutical regulatory agency.

Pharmaceutical Distribution and Retail

We participate in the pharmaceutical distribution industry in the PRC primarily through our strategic partnership with CNPGC, with whom we founded Sinopharm. We also have developed a network of retail pharmacies which we operate directly or through franchisees mainly in Beijing and Shanghai. As at 30 June 2012, we had a total of 670 retail pharmacies, of which we directly operated 146 pharmacies and our franchisees operated 524 pharmacies.

In January 2003, Shanghai Fosun Industrial Investment and CNPGC jointly established Sinopharm with 49% and 51% shareholding interest, respectively. In May 2004, Shanghai Fosun Industrial Investment transferred its 49% equity interest in Sinopharm to our Group. As at the Latest Practicable Date, we beneficially held a 32.1% equity interest in Sinopharm[(8)]. Sinopharm has experienced significant growth since its establishment. According to public information released by Sinopharm, it is the largest pharmaceutical distributor in China in terms of its market share and the geographical coverage of its distribution network in 2011. Sinopharm is listed on the Hong Kong Stock Exchange. As at the Latest Practicable Date, Sinopharm's market capitalization was RMB51,669.7 million. As at 30 June 2012, it provided products and services to customers nationwide through its 50 distribution centers (secondary distribution companies) spanning across 30 provinces, autonomous regions and municipalities in China. According to public information released by Sinopharm, as at 30 June 2012, its direct customers included approximately 74.0% of all hospitals in China and 93.8% of all class-three hospitals in China. For the years ended 31 December 2009, 2010 and 2011, Sinopharm's revenue was RMB52,688.2 million, RMB69,233.7 million, and RMB102,224.8 million, respectively, representing a CAGR of 39.3%. For the six months ended 30 June 2012, the revenue of Sinopharm was RMB66,562.3 million, an increase of 38.7% as compared to RMB48,000.1 million for the same period in 2011, and its profit attributable to owners of our Company was RMB959.1 million, an increase of 22.3% as compared to RMB784.5 million for the same period in 2011.

We have also developed a network of retail pharmacies, which we operate either directly or by franchising under the names of "Golden Elephant Pharmacy", primarily in Beijing, and "For Me Pharmacy" in Shanghai. As at 30 June 2012, according to data from the Beijing Municipal Drug Administration, our Golden Elephant Pharmacy was the largest single brand retail pharmacy in terms of number of stores in Beijing. As at 30 June 2012, according to data from the Shanghai Municipal Drug Administrative Bureau, our For Me Pharmacy was the largest single brand pharmacy in Shanghai in

Notes:

(8) Sinopharm's financial accounts have not been consolidated into our Group's financial statements and we have accounted for our equity investments in Sinopharm using the equity method of accounting.

terms of number of stores. As at 30 June 2012, our retail pharmacy network included a total of 670 retail pharmacies, among which we directly operated 146 pharmacies and our franchisees operated 524 pharmacies.

Healthcare Services

The fast developing PRC economy and increasing demand for quality healthcare services have provided significant growth opportunities in the premium, specialty and general healthcare services markets. To seize these growth opportunities, we have been actively seeking to invest in or operate healthcare service institutions since 2009. As a first step in entering the premium healthcare services market, we acquired an equity interest in Chindex, which focuses on providing premium healthcare services in China. Chindex primarily operates the United Family hospitals, which provide premium healthcare services in Beijing, Shanghai, Tianjin and Guangzhou. As at the Latest Practicable Date, we held an 18.52% equity interest in Chindex, which is listed on the NASDAQ Stock Market, and we were its single largest shareholder. As a first step to enter the specialty healthcare services market, we established Jimin Hospital Management in July 2011, in which we hold a 70% equity interest. Through Jimin Hospital Management, we manage Jimin Cancer Hospital, an oncology hospital located in Hefei, Anhui Province. We also acquired a 70% equity interest in Jimin Cancer Hospital in October 2011. Since December 2011, we have also operated a general hospital, Guangji Hospital, which is located in Yueyang, Hunan province.

Diagnostic Products and Medical Devices

We engage in the research and development, manufacturing, and sales and marketing of diagnostic reagents and equipment, blood transfusion equipment, and surgical consumables, as well as the distribution of imported high-end medical equipment. As at 30 June 2012, we manufactured a total of 130 types of diagnostic reagents and equipment in 14 different series, including those for biological, immune system, molecular and microbiological diagnostic purposes, as well as a total of 23 types of blood transfusion equipment and surgical consumables in four different series. As at 30 June 2012, we were the head regional distributor in China for various high-end imported medical equipment, such as those of Intuitive Surgical's G.C. da Vinci Surgical System.

OUR STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

We are a leading healthcare company in the PRC and we have established competitive advantages in multiple important segments of the healthcare industry value chain.

As a leading healthcare company in China, we believe we are well-positioned to benefit from the strong growth, regulatory reform and market consolidation currently underway in the PRC healthcare industry. The PRC healthcare market is one of the fastest-growing healthcare markets in the world, with growth driven by China's rapidly growing economy and its aging population. According to Espicom and ISI Emerging Markets, the size of the PRC pharmaceutical market is forecasted to grow from US$58.0 billion in 2011 to US$136.0 billion in 2016, representing a CAGR of 18.6%. In addition, the PRC government has in recent years issued a number of policies and measures to support the development of the pharmaceutical and healthcare industries, which has further fueled the growth in total healthcare spending in the PRC.

We focus on the most attractive business segments in the healthcare industry, including the pharmaceutical manufacturing, pharmaceutical distribution and retail, and healthcare services. Currently, we hold a market leading position in the pharmaceutical manufacturing sector, which is our core business. At the same time, we intend to continue our active support of Sinopharm to further strengthen its position as the largest pharmaceutical distributor in the PRC. We have also begun to actively establish our presence in the premium, specialty and general healthcare services markets.

We believe our extensive value chain coverage and strategic insights in the healthcare industry enable us to identify and take advantage of the most attractive growth opportunities, which is exemplified by our co-founding of Sinopharm with CNPGC in 2003. Our diversified business scope allows us to anticipate and quickly adapt to regulatory changes and explore inter-segment synergies to enhance competitiveness in the healthcare industry in the PRC. Our deep understanding of the healthcare industry value chain and our position as a successful operator in various key segments allow us to identify opportunities for consolidation and effectively execute them. Despite being a young company, we are among the top five domestic pharmaceutical manufacturers by revenue in the PRC, according to IMS[(9)]. We believe we are well-positioned to capture the most attractive business opportunities resulting from the ongoing healthcare reforms in China.

We enjoy a market leading position in the pharmaceutical manufacturing sector and focus on the largest and fastest growing therapeutic areas in the PRC.

We are one of the top five domestic pharmaceutical companies in the PRC as measured in terms of revenue from the pharmaceutical manufacturing sector in 2011, according to IMS. Our pharmaceutical products are primarily focused on five of the largest therapeutic areas in the PRC, namely metabolism and alimentary tract, cardiovascular system, oncology, central nervous system, and anti-infection. According to NFS MENET, sales of pharmaceutical products in these five areas accounted for more than 76.4% of the total sales of pharmaceutical products in the PRC in 2011.

We engage in the research and development, manufacturing, and sales and marketing of pharmaceutical products in our pharmaceutical manufacturing segment. A significant number of our pharmaceutical products enjoy leading positions within their respective market segments. Based on data from IMS and NFS MENET, in 2011, our products that ranked among the top three in terms of sales revenue in their respective market segments in the PRC included: Atomolan, Wan Su Lin, Wan Su Ping, Xin Xian An, Ke Yuan, Su Ke Nuo, Ao De Jin, Bang Ting[(10)], Xi Chang, Yi'an Series, Shaduolika, Li Fu Series and V Jialin. According to the SFDA, as at 30 June 2012, we were the sole manufacturer of a new anti-tuberculosis medicine, ethambutol hydrochloride, pyrazinamide, rifampicin and isoniazid tablets, which is a compound formulation of ethambutol hydrochloride, pyrazinamide, rifampicin and isoniazid. We are a leading manufacturer of anti-malaria medicines in the PRC, and our artesunate products are endorsed by the WHO and have been widely used in many countries. According to the SFDA, we were the sole manufacturer in the PRC of artesunate for injection as at 30 June 2012. According to data from the relevant PRC government authorities, we are the leading manufacturer of amino acids and the largest exporter of hydrolyzed amino acids in the PRC. We have also established a solid foundation for the

Notes:

(9) IMS data reflects purchases of drugs by hospitals with more than 100 beds at hospital purchase price (representing approximately 60% of the overall hospital market in terms of revenue according to IMS) instead of consumption by individual patients at retail prices. IMS data is projected for the market based on statistical analysis and actual data from hospitals on its panel.

(10) We completed the acquisition of Aohong Pharma in September 2011, and Ao De Jin and Bang Ting subsequently became two of our major products.

manufacturing of biopharmaceutical drugs. As at the Latest Practicable Date, the principal biopharmaceutical drugs that we manufactured and sold included Wan Su Lin, Yi Bao, Su Ke Nuo, Ao De Jin and Bang Ting. In addition, we are currently the sole producer of certain State-Protected Chinese Medicine such as compound aloe capsules and Mo Luo Dan.

The following table sets forth detailed information on some of our market leading pharmaceutical products:

Brand Name	Chemical Name	Therapeutic Areas	Market Ranking in 2011*
Atomolan	reduced glutathione	metabolism and alimentary tract	1
Wan Su Lin	animal insulin	metabolism and alimentary tract	1
Wan Su Ping	glimepiride	metabolism and alimentary tract	2
Xin Xian An	meglumine adenosine cyclophosphate	cardiovascular system	1
Ke Yuan	calcium dobesilate	cardiovascular system	1
Su Ke Nuo	heparin sodium	cardiovascular system	3
Ao De Jin	deproteinised calf blood injection	central nervous system	1
Bang Ting	hemocoagulase for injection	blood system	1
Xi Chang	cefmetazole sodium	anti-infection	1
Yi'an Series	ethambutol	anti-infection	1
Shaduolika	potassium sodium dehydroandrographolide succinate	anti-infection	2
Li Fu Series	rifampicin	anti-infection	3
V Jialin	water-soluble vitamin for injection	nutrition	1

Source: IMS and NFS MENET

* In terms of revenue from sales to hospitals

We follow stringent quality control standards and procedures in manufacturing pharmaceutical products, and continue to improve our standards and procedures to follow the latest international standards. As at 30 June 2012, all of our manufacturing facilities had obtained PRC GMP certification. In addition, in order to export some of our products to various target countries, five API production lines had received certification from the food and drug administrative agencies of the U.S. and the European Union, one of our production lines for solid dosage drugs and one of our production lines for injection products had received the prequalification suppliers certification of the WHO, and one of our production lines of solid dosage drugs had passed the GMP on-site inspection by, and received the certification of, Canada's pharmaceutical regulatory agency.

We have established an efficient sales network with coverage nationwide in the PRC to drive the growth of our pharmaceutical manufacturing business. As at 30 June 2012, our nationwide sales and marketing team comprised over 1,500 sales representatives in 29 provinces, autonomous regions and municipalities. In addition, we are seeking to further expand our sales and marketing team in line with the development of our business. We have also adopted targeted sales and marketing strategies for each

of our product lines, including using our own sales teams to conduct academic detailing based on each product's clinical information or actively managing and using third-party distributors to promote and sell our products. We believe these strategies can assist us in penetrating the market effectively.

We have strong capabilities in research and development with a proven track record and a robust product pipeline that is focused on generic biopharmaceutical drugs.

We have maintained a strong focus on the research and development of pharmaceutical products. During the Track Record Period, our research and development expenditures, which include research and development expenses and capital expenditure to improve production capacity and efficiency, on average accounted for 8% to 10% of the external revenue of our pharmaceutical manufacturing segment. We have a highly efficient research and development team. During the Track Record Period, we successfully developed and obtained manufacturing permits for 39 pharmaceutical products. We also obtained new drug certificates for some of these products, including You Di Er, Bang Zhi, compound artesunate series, rifampicin and isoniazid tablets and ethambutol hydrochloride, pyrazinamide, rifampicin and isoniazid tablets. As at 30 June 2012, we had over 100 pipeline products, including 16 pipeline products pending approval for production, five pipeline products at various stages of clinical trials and 13 pipeline products pending approval to enter clinical trials.

Our research and development efforts are principally focused on the pharmaceutical products for therapeutic areas relating to metabolism and alimentary tract, cardiovascular system, oncology, central nervous system and anti-infection. We have established four research and development platforms dedicated to small molecule chemical drugs and large molecule biopharmaceutical drugs, including monoclonal antibodies. We have built an international research and development team with operations in Shanghai, Chongqing and the U.S. Our overseas research and development operations enable us to gain access to, and utilize new technological development in the global pharmaceutical industry, while our domestic research and development operations enable us to develop new pharmaceutical products quickly and at a low cost.

In addition to the research and development of products for the PRC market, we have established a group to focus on the research and development of generic drugs that we believe have relatively high technological barriers-to-entry and substantial sales potential in the U.S. market in order to expand our business overseas. In 2010, we submitted an Abbreviative New Drug Application ("ANDA") to the U.S. Food and Drug Administration for our venlafaxine, which is used for treatment of central nervous system diseases, and the application is currently pending onsite inspection.

As at 30 June 2012, we had a total of 584 personnel on our research and development team, including engineers, pharmacists and other professionals with diversified educational backgrounds and experiences, which we believe is one of the largest research and development teams among pharmaceutical companies in the PRC. We have participated in or undertaken a number of government-sponsored pharmaceutical research and development programs, which demonstrates that our research and development capabilities are well recognized in the industry and by the PRC government. We have a research center that is recognized as a "National Recognized Enterprise Technology Center" (國家級企業技術中心), and are qualified or recognized as a "State Key High and New Technology Enterprise" (國家重點高新技術企業), a "National Patent Pilot Enterprise" (全國企事業專利示範單位), an "Enterprise-based Post-doctoral Scientific Research Workstation" (企業博士後科研工作站) and a "National Innovative Enterprise" (國家級創新型企業).

In addition to in-house research and development, we also add new products for further development through acquisitions and international collaboration. For instance, we jointly established Shanghai Lonza Fosun Pharmaceutical Technology Development Co., Ltd. in August 2012 with a subsidiary of Lonza Group, which is a life sciences group based in Switzerland, to collaborate on the development of generic drugs with high barriers-to-entry.

Through our strategic partnership with CNPGC to co-found Sinopharm, the largest pharmaceutical distributor in China, we have established a strong presence in the pharmaceutical distribution industry and strengthened the distribution network of our pharmaceutical manufacturing business.

We recognized early on that pharmaceutical distribution presented great potential for growth and consolidation in China's healthcare sector. Consequently, we became a participant in the pharmaceutical distribution industry in the PRC through our strategic partnership with CNPGC to co-found Sinopharm in 2003. As at the Latest Practicable Date, we are the second largest beneficial shareholder of Sinopharm and have four representatives on its board. Three of these directors are on the board's strategy and investment committee, which is primarily responsible for Sinopharm's long-term development strategies and major investment decisions. The committee is also authorized by Sinopharm's board to supervise and monitor the implementation of its annual operational plans and investment proposals. As such, we have assisted Sinopharm in setting and executing its development strategies.

We collaborate closely with Sinopharm and are able to benefit from Sinopharm's extensive pharmaceutical distribution network, well-established brand name and full range of logistical services. The sales of our pharmaceutical products that were distributed through Sinopharm's distribution network accounted for RMB67.8 million, RMB165.9 million, RMB297.4 million and RMB199.1 million in 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. This represented 2.9%, 5.8%, 7.8% and 9.2% of the external revenue of our pharmaceutical manufacturing segment in 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. We expect this percentage to continue to increase as our business cooperation with Sinopharm further strengthens. In addition, as the second largest beneficial shareholder of Sinopharm, we share Sinopharm's rapidly growing profits. Our net profits generated from our share of profits in Sinopharm Investment, the controlling shareholder of Sinopharm, amounted to RMB352.7 million, RMB390.3 million, RMB509.2 million and RMB305.9 million in 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively.

We believe we are one of the early-movers in the development of the premium, specialty and general healthcare services industry in China.

We believe we are one of the early-movers among the leading healthcare enterprises in the PRC to enter the healthcare services industry. Due to the fast-growing economy of China and the increasing healthcare awareness of its general public, we expect the demand for healthcare services, especially premium services and specialty services, to increase rapidly in the future. Currently, public hospitals are the predominant healthcare service providers in the PRC, and they have not been able to satisfy medical needs that are becoming increasingly sophisticated. As part of its efforts to address such problems, the PRC government has issued a number of policies, including the Opinions on Further Encouraging and Guiding the Establishment of Healthcare Institutions by Social Capital (《關於進一步鼓勵和引導社會資本舉辦醫療機構的意見》) in November 2010, to encourage the private establishment and operation of healthcare institutions, lower the capital requirements for healthcare institutions, and improve the overall

environment for private investment in the healthcare services industry. We expect that these measures will stimulate rapid growth of the private healthcare services market in China and create significant business opportunities to first-movers in that market.

We believe we were among the first to enter the PRC premium, specialty and general healthcare services market and we have strategically planned our market entry. We have entered into the premium healthcare services market through our investment in Chindex, in which we held an 18.52% equity interest as at the Latest Practicable Date. We have begun to provide high quality services in the specialty healthcare market by managing local specialty hospitals. For instance, we established Jimin Hospital Management, in which we hold a 70% equity interest. Through Jimin Hospital Management, we manage the Jimin Cancer Hospital, an oncology hospital located in Hefei, Anhui Province. Since December 2011, we have also operated a general hospital, Guangji Hospital, which is located in Yueyang, Hunan Province. Leveraging our market position and brand name as well as our first-mover advantage among the leading healthcare enterprises in the PRC, we believe we can efficiently manage our hospitals, allocate resources, and achieve significant economies of scale for our healthcare services business to capture the growth opportunities in China's healthcare services markets.

We have grown our business through acquisitions and strategic alliances in the pharmaceutical industry, and possess significant experience in identifying appropriate targets and subsequently integrating acquired companies.

While focusing on organic growth, we continue to accelerate our expansion through acquisitions and business integrations. We have been focusing on acquiring companies which have complementary technologies, products or business lines or are market participants that enjoy or have the potential to achieve market leading positions in their respective areas. We have developed a strong ability to systematically identify and acquire target companies with high growth potential. To integrate acquired companies, we share with them our extensive industry experience and advanced business models, help them to implement more efficient management systems, and improve their corporate governance structures and remuneration systems to better incentivize their management and employees.

For example, we acquired Yao Pharma in 2002, and helped it adjust its development and operational strategies and build more experienced and professional management and operational teams. In 2005, we acquired Carelife Pharma and turned it into the API production platform for Yao Pharma, and this transformed Yao Pharma into a vertically integrated company. Yao Pharma acquired Hexin Pharma in 2010. The acquisition allowed Yao Pharma to become an important API producer in the PRC and internationally, and it has also significantly expanded Yao Pharma's product portfolio, enhanced its economies of scale and the efficiency of its sales team, and strengthened its overall competitiveness. In addition, in order to expand its business overseas, in 2010, Yao Pharma submitted an Abbreviative New Drug Application to the U.S. Food and Drug Administration for venlafaxine, which is used for treatment of central nervous system diseases, and the application is currently pending onsite inspection. Wanbang Pharma is another example that illustrates our success in integrating and developing our acquired businesses. Since we acquired Wanbang Pharma in 2004, we have strengthened its sales team and utilized Wanbang Pharma as a platform to integrate our business relating to metabolism and cardiovascular systems so that similar products in these therapeutic areas could be marketed and sold through Wanbang Pharma's distribution channels. As a result of our efforts in improving and integrating Wanbang Pharma's business operations, our sales of Yi Bao increased significantly, achieving a CAGR

of 39.6% from 2009 to 2011. We believe our strong capabilities and proven track record in acquisition, integration, and consolidation will help us to capture more business opportunities and to continue to expand the scale of our operations.

Furthermore, we have also developed and expanded our businesses through strategic investments. During the Track Record Period, we acquired equity interests in a number of healthcare companies that had excellent operational track records, to benefit from their growth and capitalize on new business opportunities. These companies include: (i) Tianjin Pharma; (ii) Jincheng Medical, a PRC A-share listed company, stock code: 300233.SZ); (iii) Zhejiang Di'an Diagnostics Company Limited (浙江迪安診斷技術股份有限公司, a PRC A-share listed company, stock code: 300244.SZ); (iv) Hunan Hansen Pharmaceutical Company Limited (湖南漢森製藥股份有限公司, a PRC A-share listed company, stock code: 002412.SZ); (v) Chengde Jing Fu Kang Pharmaceutical Group Company Limited (承德頸復康藥業集團有限公司); (vi) Asia Pharmaceutical Group (Hainan) (海南亞洲製藥集團), which produces "Kuai Ke", a branded flu and cold medicine in the PRC; and (vii) Anhui Shanhe Medical.

We have an experienced Board and senior management team as well as a well-organized corporate governance structure.

Our Board and senior management team have established a proven track record of operating a successful healthcare company and they have extensive experience in various segments of the healthcare industry value chain. Our directors and members of our senior management team possess an average of 15 years of healthcare industry-related or professional management experience. Many of our directors and members of our senior management team hold key positions in various major healthcare industry and trade organizations in China, such as the China Chemical Pharmaceutical Industry Association (中國化學製藥工業協會), the China Biopharmaceutical Technology Association (中國醫藥生物技術協會) and the Shanghai Pharmaceutical Industry Association (上海醫藥行業協會). Our strong management team has extensive experience in mergers and acquisitions in the healthcare industry, and has been active in capturing market opportunities, forming and implementing successful business strategies, assessing and managing risks, guiding our expansion into high growth areas, and increasing our Group's overall profitability.

As a public company that has been listed on the Shanghai Stock Exchange for over ten years, we have established a transparent corporate governance structure and implemented a set of corporate governance standards and mechanisms to ensure the proper and effective execution of our business strategies. We believe that we will be able to continue to capitalize on the industry expertise, professional management skills and strong execution capability of our Board and senior management team and successfully formulate and implement our development strategies in the fast-growing PRC pharmaceutical and healthcare industries.

OUR BUSINESS STRATEGIES

Our principal objectives are to consolidate and further enhance our position as a leading healthcare company in the PRC, increase our market share in the pharmaceutical and other business segments in the PRC market, while gradually entering or expanding our presence in certain attractive international markets, such as the U.S. Ultimately, we intend to become a globally competitive healthcare company by pursuing a growth strategy that combines both organic growth and growth by acquisitions. We aim to achieve these objectives through the following strategies:

Expand our product portfolio through internal research and development, acquisitions and strategic alliances.

We manage and develop our product portfolio based on a comprehensive assessment of market demand, growth potential and government policies. We plan to continue to invest heavily in in-house research and development, expand our research and development team, identify and evaluate new research and development projects, and systematically manage the progress of existing projects in order to maintain a pipeline of products for our growth. We will also continue to emphasize the use of acquisitions, strategic alliances, and production licensing to expand our product portfolio. We aim to build a product portfolio consisting of a broad range of products in major therapeutic areas, including metabolism and alimentary tract, cardiovascular system, oncology, central nervous system and anti-infection. Our current research and development will continue to focus on first-to-market generic drugs or branded generic drugs that have high technological production barriers-to-entry. In addition, we plan to continue to invest in innovative drugs, which we believe will support our medium to long-term growth.

Furthermore, we believe the market for biopharmaceutical drugs has great growth potential and we will continue to invest significant resources in developing biopharmaceutical drugs and vaccines in therapeutic areas such as metabolism and alimentary tract, oncology and immunology.

We believe that despite the downward pressure on drug prices as a result of the ongoing healthcare reforms in the PRC, we will be able to maintain, or even improve, the overall profitability of our pharmaceutical manufacturing business through optimizing internal allocation of resources and continuously adjusting and expanding our product portfolio.

In addition to in-house research and development, we will also add new products for development through acquisitions and international collaboration. For instance, we established a joint venture in August 2012 with a subsidiary of Lonza Group, which is a life sciences group based in Switzerland, to collaborate on the development of generic drugs with high barriers-to-entry. Save as disclosed in this prospectus, we currently do not have any specific acquisition plans or targets and have not entered into any definitive agreements with any potential targets.

Continue to expand and consolidate our sales and distribution network in order to realize the market potential of our products.

We intend to expand our sales team for our pharmaceutical manufacturing segment in order to support our continued efforts in launching new products and expanding our product portfolio. In addition to strengthening our efforts to recruit more qualified sales personnel, we intend to expand our sales team by acquiring and integrating the sales teams of target companies. We will also continue to divide and operate our sales team according to therapeutic areas, specialties and product lines, so as to strengthen our management and coverage of end customers. Within each therapeutic area, we will further strengthen the management and effectiveness of our sales team by reducing the geographic area to be

covered by each subgroup to ensure better and more frequent customer coverage. We also plan to continue to strengthen our marketing efforts, expand our marketing team, and adopt centralized national marketing plans tailored to each particular therapeutic area as well as each major product and product line so as to facilitate growth in our sales.

We plan to continue to leverage our integrated and multi-segment business platform in order to improve the efficiency of our sales and marketing operations, maximize the benefits arising from the synergy of our pharmaceutical manufacturing, distribution and retail businesses, and enhance the market penetration of our pharmaceutical products. We also plan to increase our utilization of Sinopharm's extensive distribution network to expand sales of our products. The sales of our pharmaceutical products that were distributed through Sinopharm's distribution network represented 2.9%, 5.8%, 7.8% and 9.2% of our external revenue from the pharmaceutical manufacturing segment for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. We expect this percentage to continue to increase in the next few years as our collaboration with Sinopharm further strengthens.

Accelerate our business growth through acquisitions, strategic alliances and effective business integration.

We believe there are significant acquisition and consolidation opportunities in the fragmented PRC healthcare industry for industry leaders. We will continue to accelerate our growth through acquisitions and strategic alliances. We currently intend to focus our acquisition and consolidation efforts mainly on the pharmaceutical industry while also exploring potential opportunities in the healthcare services industry. We intend to continue to pursue opportunities both internationally and domestically. In the PRC, we will continue to acquire domestic pharmaceutical companies with complementary technologies, products and/or business lines, as well as those that have already established or have the potential to establish market leading positions in their respective areas. Internationally, we will primarily seek to acquire overseas generic drug manufacturing companies or specialty pharmaceutical companies with strong product portfolios, research and development capabilities and/or significant presence in China. These overseas pharmaceutical companies will help us further expand our product lines and increase the sales of our products in the PRC and the international markets. Although we currently do not have any specific acquisition plans or targets and have not entered into any definitive agreements with any potential targets, we believe we will be able to identify attractive acquisition targets that complement our existing capabilities and businesses and allow us to continue to grow.

We plan to continue to focus on effectively integrating and enhancing the businesses of our acquired companies by strengthening their management and marketing systems. We also intend to enhance the performance of the acquired companies by sharing our extensive industry experience, implementing our advanced operation models, and reorganizing their corporate governance structure to help them integrate into our operations, as well as establishing a competitive and flexible remuneration system.

Further implement our global strategy to develop international resources and markets as an additional growth driver for our business.

By leveraging our strong presence in the PRC market, as well as our resources and cost competitiveness, we intend to establish an international sales network for our pharmaceutical products and facilitate the integration of our international pharmaceutical operations and resources, through drug manufacturing overseas, international cooperation on research and development, product exports, and overseas mergers and acquisitions.

To expand globally, we plan to specifically invest in research and development in order to obtain drug production licenses in the U.S. and Europe. Our research programs include a number of pipeline products specifically intended to obtain the ANDA approval in the U.S. They include felodipine long-acting sustained release tablets, which are used for treatments relating to the cardiovascular system, and glipizide controlled-release tablets, which are used for treatments relating to the alimentary tract. In 2010, we submitted an ANDA to the United States Food and Drug Administration for our product venlafaxine, which is used for treatments relating to the central nervous system. That application is currently pending onsite inspection. In addition, we aim to continue the research and development of products that have high growth potential in international markets and have high technological barriers-to-entry, such as products with specialized drug delivery systems. We intend to further penetrate into our existing international markets as well as enter new markets. In particular, we plan to expand sales of our chemical generic drugs to the U.S., and will expand sales of certain products in developing countries.

To further our expansion into international markets, we will continue to upgrade our manufacturing facilities and endeavor to obtain international certifications and other qualifications by the relevant international food and drug administrative agencies for a greater number of our major pharmaceutical manufacturing subsidiaries. As at 30 June 2012, five of our API production lines had received certifications from the food and drug administrative agencies of the U.S. and the European Union, one of our production lines for solid dosage drugs and one of our production lines for injection products had received the prequalification supplier certification of the WHO, and one of our production lines for solid dosage drugs had passed the GMP on-site inspection and received certification of Canada's pharmaceutical regulatory agency.

As an integral part of our global strategy, we will continue to adopt international best practices in managing our business operations and productions. We also intend to recruit additional managerial and technical personnel who have the relevant educational background and work experience in the U.S. or other developed countries to support our international expansion.

Continue to support the development of Sinopharm to further strengthen its leadership position in the pharmaceutical distribution industry.

As at the Latest Practicable Date, we were the second largest beneficial shareholder of Sinopharm(11) and had four representatives on its board. We plan to continue to apply our strategic vision, industry expertise and information channels, which cover the entire healthcare industry value chain, to assist Sinopharm in setting strategic direction so it can continue to further expand its market shares, consolidate the PRC pharmaceutical distribution industry and further strengthen its leadership position in pharmaceutical distribution.

In addition to our core pharmaceutical manufacturing segment, we will develop our other business segments, particularly our healthcare services business.

While continuing to focus on growing our core pharmaceutical manufacturing segment, we will also seek growth opportunities for our other business segments, particularly our healthcare services business. As a first mover among the leading pharmaceutical and healthcare enterprises in the PRC to enter the

Note:

(11) As at the Latest Practicable Date, we beneficially held a 32.1% equity interest in Sinopharm. Sinopharm's financial accounts are not consolidated into our Group's financial statements and we have accounted for our equity investments in Sinopharm under the equity method of accounting.

healthcare services industry, we plan to continue to seize on business opportunities arising from the implementation of the PRC government's policies to encourage and support private investments in the healthcare services industry. We intend to continue to focus on the acquisition and operation of high-end integrated hospitals that service target customers such as foreign expatriates in the PRC and upper and middle class domestic residents, as well as the specialty hospitals and general hospitals in prefecture-level cities that have advanced technologies, equipment and experienced medical specialists. In terms of hospital specialities, we primarily focus on oncology, and will also explore opportunities in cardiovascular system and orthopedics. Through providing premium healthcare services, we expect to not only capture market opportunities in the PRC healthcare services industry, but also to strengthen our market position in the overall PRC healthcare industry.

Continue to cultivate and recruit talented employees who are essential to our businesses, including those in sales and marketing, research and development, manufacturing, business development and corporate management.

The contribution of our experienced senior management and professional employees is critical to our success. We plan to continue to attract and train talented employees, including those in sales, marketing, research and development, manufacturing, business development and corporate management. We intend to continue to provide our managerial personnel and other key employees, particularly those in our sales and marketing team, as well as those in our research and development team, with compensation packages that we believe to be competitive in our industries. We intend to provide our talented and promising employees who have management potential with training and rotation programs to help them develop professionally and enhance their work experience so they can become competent managers. We intend to continue to provide a series of training programs for our employees. With a continued focus on the development of our human resources, we believe we will be successful in retaining and motivating our managerial, technical and other personnel and continue to attract more talented individuals.

OUR BUSINESS SEGMENTS

We are a leading healthcare company in the PRC with our business operations strategically covering multiple important segments in the healthcare industry value chain, including the pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services, and diagnostic products and medical devices segments.

We have the following business segments in the PRC:

- *Pharmaceutical manufacturing*. We engage in the research and development, manufacturing, and sales and marketing of pharmaceutical products. For the year ended 31 December 2011 and the six months ended 30 June 2012, external segment revenue of our pharmaceutical manufacturing business was RMB3,830.8 million and RMB2,175.9 million, respectively, representing 59.6% and 62.8%, respectively, of our total revenue.

- *Pharmaceutical distribution and retail*. We participate in the pharmaceutical distribution industry in the PRC primarily through our strategic partnership with CNPGC, with whom we founded Sinopharm. We also have developed a network of retail pharmacies under two separate brands, which we operate directly or through franchisees, primarily located in Beijing and Shanghai. As at 30 June 2012, we had a total of 670 retail pharmacies, of which 146 were operated by us and 524 were operated by franchisees.

- *Healthcare services.* We participate in the premium, specialty and general healthcare services markets in the PRC through the United Family hospitals of Chindex, and operation of healthcare institutions such as Jimin Cancer Hospital and Guangji Hospital.

- *Diagnostic products and medical devices.* We engage in the research and development, manufacturing, and sales and marketing of diagnostic reagents and equipment, blood transfusion equipment and surgical consumables, as well as in the distribution of imported high-end medical equipment.

The following table sets forth the external segment revenue and the external segment gross profit generated from each of our business segments and as a percentage of our total revenue and total gross profit for the periods indicated:

	Year ended 31 December																	
	2009						2010						2011					
	External segment revenue (RMB)	% total revenue	External segment cost of sales (RMB)	% total cost of sales	External segment gross profit (RMB)	% total gross profit	External segment revenue (RMB)	% total revenue	External segment cost of sales (RMB)	% total cost of sales	External segment gross profit (RMB)	% total gross profit	External segment revenue (RMB)	% total revenue	External segment cost of sales (RMB)	% total cost of sales	External segment gross profit (RMB)	% total gross profit
	(in millions, except for percentage)																	
Pharmaceutical manufacturing	2,307.1	59.9	1,338.6	51.3	968.5	78.1	2,837.9	62.7	1,603.6	53.7	1,234.3	79.9	3,830.8	59.6	2,015	50.5	1,815.8	74.4
Pharmaceutical distribution and retail	1,054.0	27.4	942.1	36.1	111.9	9.0	1,146.4	25.3	1,030.7	34.5	115.7	7.5	1,436.0	22.3	1,238.9	31.0	197.1	8.1
Healthcare services[(i)]	—	—	—	—	—	—	—	—	—	—	—	—	11.3	0.2	8.4	0.2	2.9	0.1
Diagnostic products and medical devices	315.5	8.2	170.2	6.5	145.3	11.7	392.4	8.7	215.6	7.2	176.8	11.5	1,049.3	16.3	630.1	15.8	419.2	17.2
Other business operations [(ii)]	173.7	4.5	159.8	6.1	13.9	1.2	152.1	3.3	134.7	4.6	17.4	1.1	105.2	1.6	98.8	2.5	6.4	0.2
Total	3,850.3	100.0	2,610.7	100.0	1,239.6	100.0	4,528.8	100.0	2,984.6	100.0	1,544.2	100.0	6,432.6	100.0	3,991.2	100.0	2,441.4	100.0

	Six months ended 30 June											
	2011						2012					
	External segment revenue (RMB)	% total revenue	External segment cost of sales (RMB)	% total cost of sales	External segment gross profit (RMB)	% total gross profit	External segment revenue (RMB)	% total revenue	External segment cost of sales (RMB)	% total cost of sales	External segment gross profit (RMB)	% total gross profit
	(unaudited)											
	(in millions, except for percentage)											
Pharmaceutical manufacturing	1,771.8	57.5	1,015.4	50.5	756.4	72.1	2,175.9	62.8	996.6	51.5	1,179.3	77.1
Pharmaceutical distribution and retail	738.8	24.0	648.1	31.9	90.7	8.6	692.7	20.0	591.2	30.6	101.5	6.6
Healthcare services[(i)]	—	—	—	—	—	—	77.9	2.2	57.4	3.0	20.5	1.4
Diagnostic products and medical devices	516.7	16.8	321.3	15.8	195.4	18.6	511.0	14.8	284.3	14.7	226.7	14.8
Other business operations [(ii)]	52.4	1.7	45.8	2.3	6.6	0.6	6.6	0.2	5.3	0.3	1.3	0.1
Total	3,079.7	100.0	2,030.6	100.0	1,049.1	100.0	3,464.1	100.0	1,934.8	100.0	1,529.3	100.0

(i) As at the Latest Practicable Date, we beneficially held an 18.52% equity interest in Chindex. Chindex's financial accounts are not consolidated into our Group's financial statements. We have acquired a 70% equity interest in Jimin Cancer Hospital, and its accounts have been consolidated into our Group's financial statements since October 2011. As at the Latest Practicable Date, we also beneficially held a 55% equity interest in Guangji Hospital, whose accounts have been consolidated into our Group's financial statements since December 2011.

(ii) Revenue from other business operations is mainly generated from our other non-core business operations, such as exports of non-pharmaceutical products through Science & Technology Imp. & Exp.. We disposed of our equity interests in Science & Technology Imp. & Exp. in November 2011.

Pharmaceutical Manufacturing

Our core business is the research and development, manufacturing, and sales and marketing of pharmaceutical products. We are one of the top five domestic pharmaceutical companies[(12)] in the PRC in terms of revenue from the pharmaceutical manufacturing segment in 2011, according to IMS[(13)]. As at 30 June 2012, we had obtained the manufacturing permits for 1,002 pharmaceutical products. In terms of market share based on sales volume, a number of our products in several therapeutic areas, including metabolism and alimentary tract, cardiovascular system, central nervous system, blood system and anti-infection, have leading positions in their respective market segments in the PRC.

As at 30 June 2012, our pharmaceutical products were sold in 29 provinces, autonomous regions and municipalities through over 2,000 distributors in the PRC. In addition to sales in the PRC, certain of our finished products, APIs and intermediate products are also exported to overseas markets such as the United States, Europe, and certain African countries. For the year ended 31 December 2011 and the six months ended 30 June 2012, our revenue from exports of finished products, APIs and intermediate products amounted to RMB756.9 million and RMB384.0 million, respectively. More than 70% of our sales to overseas markets were for APIs and intermediate products.

Products

As at 30 June 2012, we had obtained manufacturing permits for 1,002 pharmaceutical products, including 913 finished products and 89 APIs. Of the 913 manufacturing permits for finished products, we produced 625 drugs[(14)], which included 9 biopharmaceutical drugs, 458 chemical drugs and 158 modern Chinese medicines. We had 13 patented pharmaceutical products and 665 non-patented generic pharmaceutical products, most of which are prescription drugs. The principal therapeutic areas of our products are metabolism and alimentary tract, cardiovascular system, oncology, central nervous system and anti-infection.

As the pharmaceutical market in the PRC continues to evolve, we examine and adjust our product portfolio and manufacturing and marketing resources from time to time to adapt to changing consumer demand. We focus on products with greater market potential and demand, higher profit margins and higher barriers-to-entry. These barriers include advanced technological know-how and intensive capital investment for biopharmaceutical drugs, administrative protection in the form of the "monitoring period" for first-to-market generic drugs, patent protection for innovative drugs and high start-up costs for certain other types of drugs. As at the Latest Practicable Date, we had 22 products which we classified as major products, including 19 prescription drugs, one vaccine and two APIs and intermediate products. All of our 19 major prescription drugs are included in the National Medical Insurance Drugs Catalog and are subject to price control. We use a set of criteria in selecting our major products, which include sales contribution, market potential and brand reputation.

Notes:

(12) Includes only companies that are actually controlled by PRC persons or entities.

(13) IMS data reflects purchases of drugs by hospitals with more than 100 beds at hospital purchase price (representing approximately 60% of the overall hospital market in terms of revenue according to IMS) instead of consumption by individual patients at retail prices. IMS data is projected for the market based on statistical analysis and actual data from hospitals on its panel.

(14) Due to the difference in dosage and specification, the same product may have multiple manufacturing permits.

Several of our major products such as Atomolan, Wan Su Lin, Yi Bao and artesunate series were developed and launched through our in-house research and development efforts. Most of our major pipeline products, including small molecular innovative drugs, monoclonal antibodies, and generic drugs with high barriers-to-entry are also developed through our in-house research and development efforts. The validity periods of the invention patents are 20 years from the date of filing; utility model and design patents are 10 years from the date of filing. However, because launching a product generally takes three to five years after the submission of a patent application, the effective validity period for a invention patent is usually less than 17 years, and for utility model and design patents usually less than 7 years after the product is launched on the market. The validity period for a manufacturing permit is five years, and under PRC law, we are required to re-register the manufacturing permit for each of our products every five years after it is launched on the market. We do not foresee any difficulty in re-registering the manufacturing permits for any of our major products.

For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, revenue generated from our major products totaled 65.8%, 70.4%, 73.7% and 76.2%, respectively, of the external revenue of our pharmaceutical manufacturing segment. There has been no material fluctuation in the selling price of most of our major products for the pharmaceutical manufacturing segment during the Track Record Period.

The following table sets forth our major products in our pharmaceutical manufacturing sector, a breakdown of their respective revenue for the periods indicated, how each of our major products was developed, the validity of its patent protection, and the expiry date of its manufacturing permit:

	Year ended 31 December						Six months ended 30 June							
	2009		2010		2011		2011		2012					
	RMB	% of external segment revenue	RMB	% of external segment revenue	RMB	% of external segment revenue	RMB	% of external segment revenue	RMB	% of external segment revenue	Patent Number	Patent Validity Period	Manufacturing Permit Number	Expiry Dates of the Manufacturing Permit
	(in millions, except for percentages)													
Major Products from Organic Growth														
Metabolic and alimentary tract drugs														
Reduced glutathione (Atomolan)	299.8	13.0	393.7	13.9	481.8	12.6	213.0	12.0	272.7	12.5	ZL200530011668.8	2015.11.01	H20050667	2015.09.01
											ZL200830256930.9	2018.12.01	H19991067	2015.09.27
													H19991068	2015.09.27
													H20040435	2015.09.27
													H20040434	2015.09.27
													H20051599	2015.09.27
													H20051600	2015.09.27
													H20067129	2015.09.27
Glimepiride (Wan Su Ping)	90.8	3.9	105.3	3.7	132.7	3.5	63.5	3.6	65.3	3.0	Nil		H20031079	2015.09.28
													H20010575	2015.09.28
Animal insulin series (Wan Su Lin)	163.1	7.1	174.9	6.2	189.0	4.9	89.4	5.0	97.1	4.5	ZL200510030396.5	2025.10.10	H20060845	2015.09.28
											ZL200510330397.X	2025.10.10	H10970284	2015.09.28
													H32024565	2015.09.29
													H20050782	2015.09.29
													H20050783	2015.09.29
													H32020614	2015.09.28
													H20043335	2015.09.28
													H20033636	2015.09.28
													H10890001	2015.09.28
Recombinant human erythropoietin (Yi Bao)	39.0	1.7	60.5	2.1	76.0	2.0	34.6	2.0	46.1	2.1	ZL200820152658.4	2018.09.02	S19991024	2015.08.03
													S19991023	2015.07.15
													S19980080	2015.08.03
Compound aloe capsules	62.4	2.7	63.5	2.2	84.9	2.2	42.3	2.4	15.8	0.7	ZL200810085002.X	2028.03.12	Z13020306	2015.09.28
											ZL200510111259.4	2025.12.07		
											ZL200610028944.5	2026.07.13		
											ZL200810085001.5	2028.03.12		

	Year ended 31 December						Six months ended 30 June							
	2009		2010		2011		2011		2012					
	RMB	% of external segment revenue	RMB	% of external segment revenue	RMB	% of external segment revenue	RMB	% of external segment revenue	RMB	% of external segment revenue	Patent Number	Patent Validity Period	Manufacturing Permit Number	Expiry Dates of the Manufacturing Permit
	(in millions, except for percentages)													
Cardiovascular system drugs														
Heparin sodium (Su Ke Nuo)	41.4	1.8	88.0	3.1	101.1	2.6	44.6	2.5	54.7	2.5	ZL200510030396.5	2025.10.10	H32023409	2015.09.29
													H32020612	2015.09.29
													H20020247	2015.09.29
													H20020179	2015.09.29
Meglumine adenosine cyclophosphate (Xin Xian An)	82.0	3.6	82.5	2.9	87.5	2.3	44.7	2.5	50.0	2.3	Nil		H20044331	2016.03.23
													H20044332	2016.03.23
													H20003530	2015.09.29
													H20050478	2015.09.29
Calcium dobesilate (Ke Yuan)	37.9	1.6	38.3	1.3	50.0	1.3	23.6	1.3	25.9	1.2	ZL200510110019.2	2025.11.02	H20030088	2015.02.23
Telmisartan (Bang Tan)	17.1	0.7	18.6	0.7	25.6	0.7	11.6	0.7	16.1	0.8	ZL200710173431.8	2027.12.26	H20052540	2015.07.22
													H20050715	2015.08.19
Pitavastatin (Bang Zhi[(i)])	—	—	—	—	—	—	—	—	0.2	—	Nil		H20110050	2016.05.30
													H20110051	2016.05.30
Alprostadil dried emulsion (You Di Er[(ii)])	—	—	0.6	—	11.5	0.3	3.9	0.2	18.5	0.9	ZL200630012819.6	2016.11.20	H50021393	2015.09.29
											ZL200610095305.0	2026.12.17		
											ZL201001168597.2	2030.05.10	H50021394	2015.09.29
													H50021598	2015.09.29
													H50021597	2015.09.29
													H20057824	2015.09.29
Oncology drugs														
Pemetrexed disodium (Eluzer)	6.8	0.3	15.0	0.5	17.3	0.5	8.7	0.5	11.4	0.5	ZL200410097283.2	2024.11.24	H20080210	2015.07.14
											ZL200830275847.6	2018.12.28		

	Year ended 31 December						Six months ended 30 June							
	2009		2010		2011		2011		2012					
	RMB	% of external segment revenue	RMB	% of external segment revenue	RMB	% of external segment revenue	RMB	% of external segment revenue	RMB	% of external segment revenue	Patent Number	Patent Validity Period	Manufacturing Permit Number	Expiry Dates of the Manufacturing Permit
	(in millions, except for percentages)													
Anti-infective drugs														
Artesunate series	98.4	4.3	48.0	1.7	65.6	1.7	20.9	1.2	51.3	2.4	ZL200630031162.8	2016.11.14	H10880057	2015.08.11
											ZL200430051985.8	2014.08.13	H10880055	2015.08.11
											ZL200730303201.X	2017.10.15	H10930097	2015.08.11
											ZL200730303202.4	2017.10.15		
											ZL200730303203.9	2017.10.15		
											ZL200730303204.3	2017.10.15		
											ZL200510057349.X	2025.10.25		
Potassium sodium dehydroandrographolide succinate (Shaduolika)	67.2	2.9	77.6	2.7	80.1	2.1	45.3	2.6	62.9	2.9	Nil		H50021641	2015.09.27
													H50021629	2015.09.29
													H50021627	2015.09.27
													H50021628	2015.11.07
													H20060062	2015.12.07
APIs and intermediate products														
Amino acid series	436.1	18.9	524.6	18.5	640.3	16.7	328.4	18.5	306.8	14.1	ZL200510019915.8	2025.11.24	Nil	
											ZL200710168711.X	2027.12.06		
											ZL200710053040.2	2027.08.23		
											ZL200820192808.4	2018.11.17		
Clindamycin hydrochloride	75.7	3.3	82.1	2.9	84.7	2.2	47.3	2.7	43.7	2.0	ZL200510057440.1	2025.12.13	H20030434	2015.05.30
Sub-total	**1,517.7**	**65.8**	**1,773.2**	**62.4**	**2,128.1**	**55.6**	**1,021.8**	**57.7**	**1,138.6**	**52.4**				

	Year ended 31 December						Six months ended 30 June							
	2009		2010		2011		2011		2012					
	RMB	% of external segment revenue	RMB	% of external segment revenue	RMB	% of external segment revenue	RMB	% of external segment revenue	RMB	% of external segment revenue	Patent Number	Patent Validity Period	Manufacturing Permit Number	Expiry Dates of the Manufacturing Permit
	(in millions, except for percentages)													
Acquired Products														
Metabolic and alimentary tract drugs														
Mo Luo Dan[iii]	—	—	33.3	1.2	103.5	2.7	41.5	2.3	44.4	2.0	ZL03121887.3	2023.04.16	Z13021325	2015.09.24
											ZL200710120838.4	2027.08.26	Z20090013	2014.01.03
											ZL200730106828.6	2017.04.04		
Central nervous system drugs														
Deproteinized Calf Blood Injection (Ao De Jin[iv])	—	—	—	—	106.6	2.8	—	—	204.1	9.4	ZL200610080520.3	2026.05.14	H20041127	2015.09.29
											ZL200710119155.7	2027.07.16	H20010762	2015.09.29
											ZL200810094486.4	2028.05.03	H20000202	2015.09.29
Blood system drugs														
Hemocoagulase for Injection (Bang Ting[iv])	—	—	—	—	59.7	1.6	—	—	96.6	4.4	ZL200710099163.X	2027.05.14	H20041730	2015.09.29
											ZL0313131420.1	2023.05.12		
Anti-infective drugs														
Anti-tuberculosis series[v]	—	—	—	—	138.9	3.6	51.9	2.9	59.5	2.7	ZL200920203737.8	2019.09.28	H21023360	2015.08.29
											ZL200830010775.2	2018.07.07	H20090223	2014.05.21
											ZL200830010776.7	2018.07.07	H20090219	2014.05.21
											ZL200830010777.1	2018.07.07	H20080078	2013.03.02
											ZL200930010570.9	2019.06.24		
											ZL200930010568.1	2020.06.24		
											ZL200930010573.2	2019.06.24		
											ZL200930010569.6	2019.06.24		
											ZL200930010571.3	2019.06.24		
											ZL200930010572.8	2019.06.24		
Cefmetazole sodium (Xi Chang[vi])	—	—	191.5	6.8	206.8	5.4	100.9	5.7	114.2	5.3	ZL200510057324.X	2025.10.16	H20070024	2015.10.17
													H20070025	2015.10.17
													H20061300	2015.10.17
													H20052069	2015.10.17
Vaccines														
Flu vaccines[vii]	—	—	—	—	78.5	2.0	—	—	0.1	—	Nil		S20090025	2014.11.09
													S20090026	2014.11.09
													S20053091	2015.08.29
Sub-total	**—**	**—**	**224.8**	**7.9**	**694.0**	**18.1**	**194.3**	**10.9**	**518.8**	**23.8**				
Total	**1,517.7**	**65.8**	**1,998.0**	**70.4**	**2,822.1**	**73.7**	**1,216.1**	**68.6**	**1,657.4**	**76.2**				

(i) Bang Zhi is our new product launched in October 2011.

(ii) You Di Er is our new product launched in June 2010.

(iii) We completed the acquisition of Moluodan Pharma in August 2010, and Mo Luo Dan subsequently became one of our major products. Revenue from the sales of Mo Luo Dan for the year ended 31 December 2010 shown in the table above reflected the revenue for the period from August to December 2010.

(iv) We completed the acquisition of Aohong Pharma in September 2011, and Bang Ting and Ao De Jin subsequently became two of our major products. Revenue from the sales of Bang Ting and Ao De Jin for the year ended 31 December 2011 shown in the table above reflected the revenue for the period from September to December 2011. For your reference and for illustrative purposes, revenue from the sales of Bang Ting and Ao De Jin for the year ended 31 December 2011 was RMB140.8 million and RMB215.1 million, respectively.

(v) We completed the acquisition of Shenyang Hongqi Pharma on 31 December 2010, and the anti-tuberculosis series subsequently became one of our major products.

(vi) We completed the acquisition of Hexin Pharma in February 2010, and Xi Chang subsequently became one of our major products. Revenue from the sales of Xi Chang for the year ended 31 December 2010 shown in the table above reflected the revenue for the period from February to December 2010.

(vii) We completed the acquisition of Dalian Aleph in September 2011, and the flu vaccine subsequently became one of our major products. Revenue from the sales of the flu vaccine for the year ended 31 December 2011 shown in the table above reflected the revenue for the period from September to December 2011. For your reference and for illustrative purposes, revenue from the sales of flu vaccines for the year ended 31 December 2011 was RMB89.7 million. The sales of flu vaccines for the six months ended 30 June 2012 was relatively lower as the peak season of its sales is typically in the second half of the year.

The following table sets forth our approximate revenue contribution from patented major products that will expire in each relevant year for the periods indicated:

	Year ended 31 December						Six months ended 30 June	
	2009		2010		2011		2012	
Patent Expiry Year*	Revenue contribution	% of external segment revenue	Revenue contribution	% of external segment revenue	Revenue contribution	% of external segment revenue	Revenue contribution	% of external segment revenue
	(in millions, except for percentage)							
2014								
Artesunate series	98.4	4.3	48.0	1.7	65.6	1.7	51.3	2.4
2015								
Reduced glutathione (Atomolan)	299.8	13.0	393.7	13.9	481.8	12.6	272.7	12.5
2016								
Alprostadil dried emulsion (You Di Er)	—	—	0.6	—	11.5	0.3	18.5	0.9
2017								
Mo Luo Dan	—	—	33.3	1.2	103.5	2.7	44.4	2.0
2018								
Recombinant human erythropoietin (Yi Bao)	39.0	1.7	60.5	2.1	76.0	2.0	46.1	2.1
Pemetrexed disodium (Eluzer)	6.8	0.3	15.0	0.5	17.3	0.5	11.4	0.5
Amino acid series	436.1	18.9	524.6	18.5	640.3	16.7	306.8	14.1
Anti-tuberculosis series	—	—	—	—	138.9	3.6	59.5	2.7
Subtotal	481.9	20.9	600.1	21.1	872.5	22.8	423.8	19.4
2023								
Hemocoagulase for Injection (Bang Ting)	—	—	—	—	59.7	1.6	96.6	4.4
2025								
Animal insulin series (Wan Su Lin)	163.1	7.1	174.9	6.2	189.0	4.9	97.1	4.5
Compound aloe capsules	62.4	2.7	63.5	2.2	84.9	2.2	15.8	0.7
Heparin sodium (Su Ke Nuo)	41.4	1.8	88.0	3.1	101.1	2.6	54.7	2.5
Calcium dobesilate (Ke Yuan)	37.9	1.6	38.3	1.3	50.0	1.3	25.9	1.2
Clindamycin hydrochloride	75.7	3.3	82.1	2.9	84.7	2.2	43.7	2.0
Cefmetazole sodium (Xi Chang)	—	—	191.5	6.8	206.8	5.4	114.2	5.3
Subtotal	380.5	16.5	638.3	22.5	716.5	18.6	351.4	16.2
2026								
Deproteinized Calf Blood Injection (Ao De Jin)	—	—	—	—	106.6	2.8	204.1	9.4
2027								
Telmisartan (Bang Tan)	17.1	0.7	18.6	0.7	25.6	0.7	16.1	0.8
Total	1,277.7	55.4	1,732.6	61.1	2,443.3	63.8	1,478.9	68.0

* One product may have multiple patents. Revenue contribution from such product in this table is accounted for in the year in which its earliest patent expires.

Metabolic and alimentary tract drugs

Reduced glutathione (Atomolan)

Atomolan is a branded generic drug whose active ingredient is reduced glutathione. Reduced glutathione is widely used for liver disease related treatments, including the protection of the liver's protein synthesis function, hormone detoxification and inactivation, and the treatment of hepatitis B. Reduced glutathione is a type of tripeptide naturally synthesized in the cytoplasm of human body cells and is composed of glutamic acid, cysteine and the residue of glycine. It plays important roles in anti-oxidation processes in the human body. Through the combination of sulfenyl with free radicals in the human body, reduced glutathione can be converted into an acid which can be easily metabolized, and thus accelerate the excretion of free radicals. In damaged liver cells, the level of reduced glutathione decreases significantly. Therefore consumption of reduced glutathione can help restore certain liver functions. According to IMS, the PRC oral and injection reduced glutathione market grew at a CAGR of 18.8% from 2009 to 2011.

According to IMS, our Atomolan is the best-selling oral and injection reduced glutathione product in the PRC, with its sales accounting for approximately 37.3% of the total sales of oral and injection reduced glutathione products in the PRC in 2011. We obtained the manufacturing permits for our injection reduced glutathione products in 1999, and commercially launched the product in the PRC market in the same year. Our Atomolan generated sales of RMB299.8 million, RMB393.7 million and RMB481.8 million in 2009, 2010 and 2011, respectively, representing a CAGR of 26.8%. For the six months ended 30 June 2012, sales of our Atomolan amounted to RMB272.7 million, an increase of 28.0% as compared to the same period in 2011. In 2003, our injection reduced glutathione products were recognized by the Social Survey Institute of China (中國社會調查所) as a "Well-known Product of China" (「中國公認名牌產品」). We continued to upgrade these products, and obtained the manufacturing permits for our oral reduced glutathione products in 2005. We commercially launched the products in the PRC market in the same year. Due to the convenience of their intake, sales of our oral reduced glutathione products have increased rapidly since their commercial launch in the PRC market, generating sales of RMB42.9 million, RMB58.1 million and RMB85.2 million in 2009, 2010 and 2011, respectively, representing a CAGR of 40.9%. For the six months ended 30 June 2012, sales of our oral reduced glutathione products amounted to RMB53.1 million, an increase of 45.5% as compared to the same period in 2011. We expect the oral reduced glutathione to be the main growth driver for our reduced glutathione product in the future.

Glimepiride (Wan Su Ping)

Wan Su Ping is a glimepiride branded generic drug. Glimepiride is an oral anti-diabetic drug mainly used for the treatment of type II diabetes, the most common form of diabetes. According to IMS, the PRC glimepiride market grew at a CAGR of 31.3% from 2009 to 2011. According to IMS, Wan Su Ping is the second best-selling glimepiride product in the PRC in terms of market share, and accounted for approximately 15.8% of the glimepiride products sold in the PRC in 2011. We obtained the manufacturing permit for Wan Su Ping in 2001, and commercially launched the product in the PRC market in the same year. Our Wan Su Ping generated sales of RMB90.8 million, RMB105.3 million and RMB132.7 million in 2009, 2010 and 2011, respectively, representing a CAGR of 20.9%. For the six months ended 30 June 2012, sales of our Wan Su Ping amounted to RMB65.3 million.

Animal insulin series (Wan Su Lin)

Animal insulin series medicines are mainly used for the treatment of metabolic disorders, such as diabetes. The major function of animal insulin products is to reduce blood glucose and to act on metabolism and deposit of glucose, protein and fat. Animal insulin products are included in the National Medical Insurance Drugs Catalog in 2009, and are the only type of insulin product on the catalog that treat metabolic disorders. Although animal insulin products are relatively more mature in terms of product life cycle than other insulin products, demand for animal insulin products remains strong in the middle- to low-end market segments in the PRC due to their affordability. According to IMS, the PRC animal insulin products market grew at a CAGR of 7.0% from 2009 to 2011.

According to IMS, in 2011, our animal insulin series had a market share of approximately 84.7% of the animal insulin products market in the PRC. We obtained the manufacturing permits for our first animal insulin product in 1982, and commercially launched the product in the PRC market in the same year. Our animal insulin series generated sales of RMB163.1 million, RMB174.9 million, RMB189.0 million and RMB97.1 million in 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. We continued to upgrade this product, and obtained the manufacturing permit for our protamine zinc insulin injection (30R) in 2005. This product is more slowly absorbed by the body in comparison with regular animal insulin products and is therefore longer lasting, which reduces the number of injections needed. Sales of our protamine zinc insulin injection (30R) product have increased rapidly since its commercial launch in the PRC market. It generated sales of RMB35.8 million, RMB47.9 million and RMB59.7 million in 2009, 2010 and 2011, respectively, representing a CAGR of 29.1%. For the six months ended 30 June 2012, sales of our protamine zinc insulin injection (30R) products amounted to RMB29.6 million, an increase of 8.0% as compared to RMB27.4 million for the same period in 2011.

Recombinant human erythropoietin (Yi Bao)

Yi Bao is a recombinant human erythropoietin biopharmaceutical generic drug. Recombinant human erythropoietin is an active glycoprotein that acts on the formation of red blood cells. It is excreted by the kidney and stimulates the reproduction and multiplication of erythroid hematopoietic cells in bone marrow. According to IMS, the recombinant human erythropoietin market grew at a CAGR of 20.9% from 2009 to 2011.

According to IMS, in terms of market share, Yi Bao is the fourth-ranking human erythropoietin product, with sales accounting for 6.4% of the total sales of human erythropoietin products in the PRC in 2011. We obtained a new drug certificate and manufacturing permit for Yi Bao in 1998, and commercially launched the product in the PRC market in the same year. The sales of our Yi Bao grew at a CAGR of 39.6% from 2009 to 2011. For the six months ended 30 June 2012, sales of our Yi Bao amounted to RMB46.1 million, an increase of 33.2% as compared to RMB34.6 million for the same period in 2011.

Compound aloe capsules

Compound aloe capsule is a gastrointestinal modern Chinese medicine primarily used for the treatment of customary constipation, stool hardness and dryness, or the abdominal distention and pain caused by constipation.

We obtained the manufacturing permit to produce compound aloe capsules in 1985, and commercially launched the product in the PRC market in the same year. We are currently the sole producer of this product in the PRC. We have registered a patent for the production of compound aloe capsules in the

PRC, and the patent will expire in March 2028. In 1995, our compound aloe capsule was recognized as a Class Two State Protected Chinese Medicine (國家二級中藥保護品種). The sales of our compound aloe capsules grew at a CAGR of 16.6% from 2009 to 2011.

Mo Luo Dan

Mo Luo Dan is a modern Chinese medicine primarily used for the treatment of stomach problems, including chronic atrophic gastritis, gastralgia, flatulence, mass in the abdomen, anorexia, eructation and pyrosis. We completed the acquisition of Moluodan Pharma in August 2010, and Mo Luo Dan has subsequently become one of our major products. Our Mo Luo Dan generated sales of RMB103.5 million and RMB44.4 million in 2011 and the six months ended 30 June 2012, respectively.

Moluodan Pharma obtained the manufacturing permit for Mo Luo Dan in 1985, and commercially launched the product in the PRC market in the same year. Moluodan Pharma has obtained patent registration in the PRC for Mo Luo Dan's quality standards and methods of quality testing, which will expire in August 2027. Mo Luo Dan was recognized as a State Protected Chinese Medicine in 1994. Our concentrated form of Mo Luo Dan product is popular in the PRC market due to its small size and convenient intake. We expect the concentrated form of Mo Luo Dan to be a significant growth driver for this product in the future.

Cardiovascular system drugs

Heparin sodium (Su Ke Nuo)

Su Ke Nuo is a heparin biopharmaceutical generic drug. Su Ke Nuo is an antithrombotic drug that prevents the formation of thrombus inside or outside the body, or in veins and arteries. According to IMS, the PRC heparin sodium market grew at a CAGR of 5.5% from 2009 to 2011.

According to IMS, in terms of sales in 2011, Su Ke Nuo had a market share of 9.9% in the PRC dalteparin products market. We obtained the manufacturing permit for Su Ke Nuo in 2002, and commercially launched the product in the PRC market in the same year. Due to our increased promotional efforts for Su Ke Nuo, sales have increased rapidly in recent years. Our Su Ke Nuo generated sales of RMB41.4 million, RMB88.0 million and RMB101.1 million in 2009, 2010 and 2011, respectively, representing a CAGR of 56.3% from 2009 to 2011. For the six months ended 30 June 2012, sales of our Su Ke Nuo amounted to RMB54.7 million, an increase of 22.6% as compared to the same period in 2011.

Meglumine adenosine cyclophosphate (Xin Xian An)

Xin Xian An is a meglumine adenosine cyclophosphate branded generic drug. It is a kind of cardiac stimulant, which is used primarily in the treatment of heart failure, myocarditis, sick sinus syndrome, coronary heart disease and cardiomyopathy, and also for supporting the treatment of arrhythmia. It is clinically proven to be effective in enhancing myocardial contractility, improving cardiac pump function, dilating blood vessels and reducing myocardial oxygen consumption, and being able to improve the metabolism of myocardial cells so as to prevent myocardial ischemia and myocardial hypoxia and the function of sinus node P cells. According to IMS, the PRC meglumine adenosine cyclophosphate market grew at a CAGR of 11.0% from 2009 to 2011.

According to IMS, Xin Xian An has the largest market share in the meglumine adenosine cyclophosphate by injection products market in the PRC, accounting for approximately 38.0% of the meglumine adenosine cyclophosphate by injection products sold in the PRC in 2011. We obtained the manufacturing permit for Xin Xian An in 2003, and commercially launched the product in the PRC market in the same year.

Calcium dobesilate (Ke Yuan)

Ke Yuan is a calcium dobesilate branded generic drug. It is a kind of blood vessel protective drug, which is used primarily in the prevention and treatment of various diseases caused by micro-vascular circulatory disturbance, retinopathy caused by diabetes, and cardio, cerebral and kidney diseases caused by micro-circulation disturbance, including glomerular atherosclerosis and decreasing blood viscosity. According to IMS, the PRC calcium dobesilate market grew at a CAGR of 18.4% from 2009 to 2011.

According to IMS, Ke Yuan ranks first in the calcium dobesilate product market in the PRC in terms of market share, and its sales accounted for approximately 21.0% of the total sales of the calcium dobesilate products in the PRC in 2011. We obtained the manufacturing permit for Ke Yuan in 2003, and commercially launched the product in the PRC market in the same year.

Telmisartan (Bang Tan)

Bang Tan is a telmisartan branded generic drug. Bang Tan is primarily used for the oral treatment of hypertension either alone or in combination with other anti-hypertension medicines. Telmisartan belongs to the type of hypertension drug called angiotensin II antagonist. According to IMS, the PRC telmisartan market grew at a CAGR of 22.6% from 2009 to 2011.

According to IMS, Bang Tan accounted for 3.5% of the total sales of the telmisartan products in the PRC in 2011. We obtained the manufacturing permit for Bang Tan in 2005, and commercially launched the product in the PRC market in the same year.

Pitavastatin (Bang Zhi)

Pitavastatin has a notable medical effect in controlling low density lipoprotein cholesterol (LDL-C). It is primarily used for treatment of hypercholesterolemia and familial hypercholesterolemia. It belongs to the statin family of cholesterol-lowering drugs and has good effectiveness and safety profile. According to IMS, in 2011, statin products had an estimated market size of RMB3,119.5 million in the PRC. Pitavastatin is a relatively new type of statin product in the PRC market. According to IMS, pitavastatin only became available in the PRC market in the fourth quarter of 2009. Currently, we are one of only two companies in China that are engaged in the manufacture and sales of pitavastatin.

We obtained the new drug certificate and manufacturing permit for Bang Zhi in 2011 and commercially launched the product in the PRC market in the same year. We have applied for an innovation patent related to our pitavastatin product in the PRC.

Alprostadil dried emulsion (You Di Er)

Alprostadil is a synthetic derivative of prostaglandin, a naturally-occurring hormone in the human body. It can effectively inhibit the aggregation of platelets, the generation of thromboxane A2, and the formation of atherosclerotic plaque. It can also expand the peripheral and coronary vessels and it can be used for treatment of cerebrovascular disease, chronic gastritis, diabetes complication and erectile dysfunction. We have developed an alprostadil dried emulsion formulation, which has overcome certain disadvantages of the injection type alprostadil products on the market, such as poor water solubility,

tendency to produce degradation impurities after heating, and causing strong irritations to blood vessels. Our product uses lipids as a carrier, and is produced into a lyophilized powder which can be reconstitued to an emulsion by injection. This effective and stable formulation reduces side effects and improves convenience of use for doctors and patients. According to IMS, the size of the PRC alprostadil dried emulsion market is estimated to be RMB2,193.5 million in 2011 as compared to RMB875.1 million in 2009, representing a CAGR of 58.3% over this period.

We obtained the new drug certificate and manufacturing permit for You Di Er in 2010, and commercially launched the product in the PRC market in the same year. We have applied for two innovation patents related to our alprostadil products. For the six months ended 30 June 2012, sales of our You Di Er amounted to RMB18.5 million, an increase of 374.4% as compared to RMB3.9 million for the same period in 2011.

Oncology drugs

Pemetrexed disodium (Eluzer)
Eluzer is a type of folate anti-metabolite that inhibits the survival and growth of cancer cells. It is used primarily, in combination with another commonly used oncology drug, for the treatment of several types of cancers including malignant pleural mesothelioma and non-small-cell-lung-cancer. Pemetrexed disodium can destroy the normal folate-dependent metabolic process, inhibit cell replication, and thus inhibit tumor growth. In vitro studies have shown that pemetrexed inhibits thymidylate synthase, dihydrofolate reductase, and glycinamide ribonucleotide formyltransferase and it is clinically proven to be effective to inhibit the in vitro growth of mesothelioma cell lines. According to IMS, the PRC pemetrexed disodium market grew at a CAGR of 81% from 2009 to 2011.

We obtained the new drug certificate and manufacturing permit for Eluzer in 2008, and commercially launched the product in the PRC market in the same year. The sales of our Eluzer grew at a CAGR of 59.5% from 2009 to 2011. We are the first manufacturer in China to expand our Eluzer's indication to include the treatment of non-small-cell lung cancer. We have obtained a patent in the PRC for a new crystal type of pemetrexed disodium and its method of preparation, which will expire in November 2024.

Central nervous system drugs

Deproteinized Calf Blood Injection (Ao De Jin)
Ao De Jin is a generic neurological protection drug. It facilitates cellular uptake and utilization of glucose and oxygen, and is used to improve blood circulation and treat neurological deficits caused by nutritional disorders, peripheral arterial and venous circulatory disturbances and the resulting symptoms. According to IMS, the PRC deproteinized calf blood injection market grew at a CAGR of 42.6% from 2009 to 2011. We completed the acquisition of Aohong Pharma in September 2011, and Ao De Jin has subsequently become one of our major products.

According to IMS, Ao De Jin is the best-selling deproteinized calf blood injection product in the PRC and its sales accounted for 58.8% of the total sales of the deproteinized calf blood injection products in the PRC in 2011. Aohong Pharma obtained the manufacturing permit for Ao De Jin in 2000, and commercially launched the product in the PRC in the same year.

Blood system drugs

Hemocoagulase for Injection (Bang Ting)

Bang Ting is one of the batroxobin for injection generic drugs. Bang Ting is produced by extracting agkistrodon batroxobin from the poison of copperhead vipers in the Chang Bai Mountain region in Northeast China, and is widely used to reduce or stop bleeding that occurs in various medical conditions, or to prevent bleeding. According to IMS, the PRC batroxobin market grew at a CAGR of 26.5% from 2009 to 2011. Bang Ting has become one of our major products upon our acquisition of Aohong Pharma.

According to IMS, Bang Ting is the best-selling batroxobin product in the PRC, with its sales accounting for 28.5% of the total sales of the batroxobin for injection products in the PRC in 2011. Aohong Pharma obtained the manufacturing permit for Bang Ting in 2004, and commercially launched the product in the PRC in the same year.

Anti-infection drugs

Anti-tuberculosis series

According to the SFDA, as at 30 June 2012, we were the sole manufacturer of a new anti-tuberculosis medicine, ethambutol hydrochloride, pyrazinamide, rifampicin and isoniazid tablets in the PRC, which is a compound formulation of ethambutol hydrochloride, pyrazinamide, rifampicin and isoniazid. We have also won bids to supply anti-tuberculosis drugs for a variety of domestic and international tuberculosis control projects during the past few years, such as the Anti-tuberculosis Drugs and Devices Project of the MOH, and the anti-tuberculosis project supported by the World Bank and the Government of the United Kingdom to control tuberculosis in China.

We produce a number of anti-tuberculosis products and related compound drugs. We expect compound series products to be the main growth driver in the anti-tuberculosis market. We completed the acquisition of Shenyang Hongqi Pharma, a leading anti-tubercular products manufacturer in the PRC, in December 2010, and anti-tuberculosis products have subsequently become one of our major products. Our anti-tuberculosis products generated sales of RMB138.9 million in 2011.

Among our anti-tuberculosis series, rifampicin is a type of bactericidal antibiotic primarily used to treat tuberculosis and non-active meningitis. According to NFS MENET, the PRC rifampicin products market grew at a CAGR of over 14.8% from 2009 to 2011. According to NFS MENET, our rifampicin products are the third-ranking rifampicin products in the PRC in terms of market share, with its sales accounting for 5.1% of the total sales of the rifampicin products in the PRC in 2011.

Ethambutol hydrochloride is one of the synthetic anti-bacterial anti-tuberculosis products primarily used with other anti-tuberculosis drugs to treat tuberculosis. It can also be used to treat tubercular meningitis and atypical mycobaterial infection. According to IMS, the PRC ethambutol market grew at a CAGR of over 15.0% from 2009 to 2011. According to IMS, our ethambutol product was the best selling ethambutol product in the PRC, with its sales accounting for 49.6% of the total sales of the ethambutol products in the PRC in 2011.

Artesunate series

Artesunate is part of the artemisinin group of drugs that is mainly used to treat malaria. According to the WHO Malaria Treatment Guideline, artesunate is a uniquely effective derivative of arteannuin, which can be made into water soluble drugs. Artesunate is mainly used in the treatment of various malarial diseases, especially multiple drug resistant malignant malaria.

According to the catalog of prequalified drugs on the WHO website, as at 30 June 2012, we were one of the suppliers of anti-malaria medicines for the PRC Government's aid to Africa, and we also supply a substantial quantity of anti-malaria medicines for various international organizations, such as the WHO, the United Nations Children's Fund and the International Red Cross. Our artesunate has been endorsed as an anti-malaria medicine by the WHO and is widely used in many countries. According to the SFDA, as at 30 June 2012, we were the sole manufacturer of artesunate for injection. For the six months ended 30 June 2012, sales of our artesunate amounted to RMB51.3 million, an increase of 145.5% as compared to RMB20.9 million for the same period in 2011.

Cefmetazole sodium (Xi Chang)

Xi Chang is one of our cefmetazole sodium branded generic drugs. Xi Chang is a type of semisynthetic cephem antibiotic, which is used for the treatment of various infections caused by microorganisms. According to IMS, the PRC cefmetazole sodium market grew at a CAGR of 12.7% from 2009 to 2011. We completed the acquisition of Hexin Pharma in February 2010, and Xi Chang has subsequently become one of our major products. Our Xi Chang generated sales of RMB206.8 million and RMB114.2 million in 2011 and the six months ended 30 June 2012, respectively.

According to IMS, Xi Chang is the best selling cefmetazole sodium products in the PRC in terms of market share, with its sales accounting for approximately 50.7% of the total sales of the cefmetazole sodium products in the PRC in 2011. Hexin Pharma obtained the manufacturing permit for Xi Chang in 2005, and commercially launched the product in the PRC market in the same year.

Potassium sodium dehydroandrographolide succinate (Shaduolika)

Shaduolika is a type of potassium sodium dehydroandrographolide succinate for injection, which is used primarily in the treatment of viral pneumonia and viral upper respiratory infection. It has been clinically proven to be able to dilate blood vessels and inhibit the aggregation of blood platelets, and is effective in stabilizing liver cell membrane and improving liver function. According to IMS, the PRC potassium sodium dehydroandrographolide market grew at a CAGR of 15.5% from 2009 to 2011.

According to IMS, Shaduolika is the second-ranked potassium sodium dehydroandrographolide succinate product in the PRC in terms of market share, with its sales accounting for approximately 22.3% of the total sales of the potassium sodium dehydroandrographolide succinate products in the PRC in 2011. We obtained the medicine manufacturing permit for Shaduolika in 2002, and commercially launched the product in the PRC market in the same year. For the six months ended 30 June 2012, sales of our Shaduolika amounted to RMB62.9 million, an increase of 38.9% as compared to RMB45.3 million for the same period in 2011.

In August and September 2012, we voluntarily recalled certain batches of Shaduolika product due to reported occurrences of side effects in certain hospitals in Anhui and Jiangsu provinces and Guangxi Zhuang Autonomous Region. See "Risk Factors — We may incur losses and our reputation may be adversely affected by potential product liabilities relating to certain products that we manufactured" and "Business — Quality Control — Pharmaceutical manufacturing" for more details.

Vaccines

Flu vaccines

The flu vaccine produced by Dalian Aleph became one of our major products upon the completion of our acquisition in September 2011. The flu vaccine is primarily used for the prevention of influenza. A recipient of this vaccine will have immunity against infection by influenza virus.

APIs and intermediate products

Our APIs and intermediate pharmaceutical products include but not limited to the amino acid series used in a number of pharmaceutical, health products and other industries, and the clindamycin hydrochloride series, which is used as an ingredient for the production of a broad spectrum of antimicrobial drugs. We are the leading producer of amino acids in the PRC. We export several types of amino acids to Europe, the United States, Japan and other overseas markets.

Research and Development

We believe that research and development is critically important to the sustainable growth of our pharmaceutical manufacturing business and we have maintained significant focus on the research and development of pharmaceutical products. During the Track Record Period, our research and development expenditure, which includes research and development expenses and capital expenditure to improve production capacity and efficiency, on average accounted for 8% to 10% of the external revenue of our pharmaceutical manufacturing segment. Our research and development activities focus primarily on innovative drugs, biopharmaceutical generic drugs and first-to-market chemical generic drugs as follows:

- *Innovative drug research.* We develop innovative drugs to address major unmet medical needs through in-house research and collaboration with third parties, including research institutes, universities and other pharmaceutical companies. As at the Latest Practicable Date, we were engaged in the research and development of certain small molecule innovative drugs; and

- *Generic drug development.* We develop biopharmaceutical generic drugs and first-to-market chemical generic drugs with high barriers-to-entry in major therapeutic areas, such as cardiovascular system, central nervous system and anti-infection.

As at 30 June 2012, we had over 100 pipeline products, including 11 innovative drugs, 30 chemical drugs (Class III registered chemical drugs) that are available in the overseas markets but not yet available in the PRC market, and 61 other generic drugs. We generally focus our research and development efforts on the major therapeutic areas, including metabolism and alimentary tract, cardiovascular system, oncology, central nervous system and anti-infection. As at 30 June 2012, our research and development programs included 17 programs for metabolism and alimentary tract medicines, 21 programs for cardiovascular system medicines, 15 programs for oncology medicines, 10 programs for central nervous system and alimentary track medicines, 23 programs on anti-infection, three programs on vaccines and over 20 programs on other therapeutic areas.

In addition, as part of our research and development activities, we engage in product upgrades by improving the production techniques of our products in order to improve product quality and therapeutic effects, reduce side effects, enhance output yields and lower production costs. In this regard, we focus primarily on products for which there is significant demand and market potential, and which are relatively new in their respective therapeutic areas. Product upgrading by pharmaceutical companies is

also strongly supported by the PRC government, which established a "Technological Upgrading of Major Pharmaceutical Products" project in its Twelfth Five-Year Plan in 2010 to support the development of pharmaceutical enterprises.

Our research and development activities are primarily conducted by our in-house research and development team, and we also collaborate with third parties, including research institutes, universities and other pharmaceutical companies. We also cooperate with foreign pharmaceutical companies in conducting research and development. For instance, we jointly established Shanghai Lonza Fosun Pharmaceutical Technology Development Co., Ltd. in August 2012 with a subsidiary of Lonza Group, which is a life sciences group based in Switzerland, to collaborate on the development of generic drugs with high barriers-to-entry in China.

We have established specialized research and development platforms and have built an international research and development team with operations in Shanghai, Chongqing and the U.S. dedicated to small molecule chemical drugs and large molecule biopharmaceutical drugs such as monoclonal antibodies. Our overseas research and development operations enable us to gain access to, and utilize new technological developments in the global pharmaceutical industry, while our domestic research and development operations enable us to develop new pharmaceutical products quickly and at a low cost. During the Track Record Period, we have successfully developed 39 pharmaceutical products for which we have obtained manufacturing permits. The pharmaceutical products developed by our research and development team during the Track Record Period include You Di Er, Bang Zhi, compound artesunate series, compound pemetrexed disodium and flucloxacillin sodium (API and powder injections). We have also obtained new drug certificates for some of these products, such as You Di Er, Bang Zhi, compound artesunate series, rifampicin and isoniazid tablets and flucloxacillin sodium for injection. As at 30 June 2012, we had over 100 pipeline products, including 16 pipeline products pending approval for production, five pipeline products at various stages of clinical trials, 13 pipeline products pending approval to enter clinical trials and several monoclonal antibody products. During the Track Record Period, our internally developed major products, namely, Atomolan tablets, Ke Yuan, Bang Tan, Bang Zhi, You Di Er, Eluzer and Shaduolika, accounted for 11.3%, 10.4%, 8.8% and 11.4% of our revenue from major products for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. During the Track Record Period, our research and development expenditures, which include research and development expenses and capital expenditure to improve production capacity and efficiency, on average accounted for 8% to 10% of the external revenue of our pharmaceutical manufacturing segment.

In order to expand our operations overseas, we intend to submit ANDAs in the United States for highly sophisticated generic drugs that have relatively high sales potential in the U.S. market. In 2010, we submitted an ANDA to the United States Food and Drug Administration for our venlafaxine, which is used in the central nervous system therapeutic area, and the application is currently pending onsite inspection. Our other projects that focus on the submission of ANDAs in the United States primarily fall into the following two categories: (i) felodipine long-acting sustained release tablets, nifedipine long-acting sustained release tablets, nifedipine controlled-release tablets and nisoldipine long-acting sustained release tablets, which are used in the cardiovascular system therapeutic area; and (ii) glipizide controlled-release tablets and esomeprazole magnesium enteric-coated capsules, which are used in the metabolism and alimentary tract therapeutic area. As at the Latest Practicable Date, all of our ANDA projects are still in the research and development process.

We have built a strong research and development team. As at 30 June 2012, our research and development team had a total of 584 research and development personnel, which we believe is one of the largest research and development teams among pharmaceutical companies in China. As at 30 June 2012, we had 252 research and development personnel in Chongqing, 96 in Shanghai, 84 in Jiangsu, 51 in Liaoning, 31 in Guangxi, 36 in Guangdong, 12 in Hebei, 12 in Hubei and ten in the U.S. Within the research and development team, there are 6 chief senior engineers, 50 senior engineers, 113 engineers, 121 assistant engineers, 1 chief pharmacist, 4 practicing pharmacists, 8 pharmacists and other professionals. 36 of our research and development personnel have doctorate degrees and 304 of them have master degrees in fields such as medical and pharmaceutical science. As at 30 June 2012, over 150 of our 584 research and development personnel had over 10 years of healthcare industry-related research and development experience. Among the 584 research and development personnel, 467 were engaged in research and development and patent application, 22 were engaged in technology services, 68 were engineers and technicians and the other 27 were supporting staff. We have participated in or undertaken a number of government sponsored pharmaceutical research and development projects, which demonstrate that our research and development capabilities are well recognized in our industry and by the PRC government. We have a "National Recognized Enterprise Technology Center" (國家級企業技術中心), and are qualified or recognized as a "National Key High and New Technology Enterprise" (國家重點高新技術企業), a "National Patent Pilot Enterprise" (全國企事業專利示範單位), an "Enterprise-based Post-doctoral Scientific Research Workstation" (企業博士後科研工作站), and a "National Innovative Enterprise" (國家級創新型企業).

We manage our research and development expenses through budgeting and internal auditing. We organize three rounds of internal discussion every year on each subsidiary's research and development projects, progress made and detailed budgets for research and development expenses. Our chairman, chief executive officer, and the heads of the strategic development department, finance department, marketing department, research and development department, human resources department and administrative department participate in these internal discussions. We also assess the research and development performance of each subsidiary through internal audits. Our internal approval policies for research and development projects classify a project as an "important project" or a "normal project" according to the size of the expected investment in such a project. An "important project" is a project with a research investment budget of RMB5 million or above. Such project can only proceed after its study report is reviewed and approved by the subsidiary and the Group and its budget is assessed through internal discussion. A "normal project" is one that has a research investment budget of less than RMB5 million, and it can proceed after it is approved by the relevant departments in a subsidiary and the necessary filings are made at our Group level. The "important projects" need to first go through review and approval by the heads of our marketing department, research and development department, finance department, chief executive officer and enterprise technology center, and then by a meeting among the marketing department, quality safety department and finance department. The "normal projects" are reviewed and approved by the heads of our marketing department, research and development department, finance department and chief executive officer.

For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, our research and development expenses, excluding capitalized research and development costs, amounted to RMB71.4 million, RMB119.9 million, RMB189.4 million and RMB101.7 million, respectively, which represented 3.1%, 4.2%, 4.9% and 4.7% of total external revenue for our pharmaceutical manufacturing segment for the same periods. Our research and development expenditures, which include research and development expenses and capital expenditure to improve production capacity and efficiency, on average accounted for 8% to 10% of the external revenue of our pharmaceutical manufacturing segment. We plan to focus on pipeline products such as recombinant human insulin, Feibusita and human rabies vaccine, as further described below.

During the Track Record Period, although our revenue from new products had been increasing, revenue contribution from our new products was relatively immaterial primarily because the development of new products is time-consuming and uncertain, and new products take time to successfully commercialize after they are successfully developed. For instance, it takes time for a new product to be approved by government authorities and included in the National or Provincial Medical Insurance Drug Catalogs before they can be sold to mass consumers. In addition, local governments generally have a cycle of at least two years for the tendering process, and as a result, our newly commercialized products may not be launched in time to join the tenders. These factors therefore limited the ability of new products to generate significant revenue for us during the Track Record Period.

The following table shows our major pipeline products being developed by our research and development team and their development stages as at the Latest Practicable Date.

Therapeutic Areas	Product	Indications	Status
Metabolism drugs	Recombinant Human Insulin	Treatment of diabetes mellitus	New drug certificate and manufacturing permit obtained and facility for its commercial production is under construction.
	Feibusita	Treatment of hyperuricemia and gout	Completed phase III clinical trial
	Lispro Insulin	Treatment of diabetes mellitus	Pending clinical approval
	W0903	Treatment of diabetes mellitus	Pre-clinical stage
	W1005	Treatment of iron-deficiency anemia	Under research and development[(i)]
	Methyhaaltrexone Bromide	Treatment of opioid-induced constipation	Pending clinical approval
	P0905	Treatment of acid-reflux disorders, peptic ulcer disease and H. pylori eradication	Under research and development (US ANDA project)[(i)]
	Glipizide Controlled-Release Tablets	Treatment of mild and moderate non-insulin-dependent diabetes mellitus which cannot be effectively controlled through alimentary control	Under research and development (US ANDA project)

Therapeutic Areas	Product	Indications	Status
Cardiovascular system drugs	Y0802	Prevention and treatment of cardiac or cerebral arterial circulation problem due to platelet aggregation	Under research and development[(i)]
	Y0803	Treatment of hypertension	Pending approval for launch
	Fasudil Hydrochloride and its injection	Prevention and reduction of the risk in cerebral vasospasm and cerebral ischemia associated with the surgery of subarachnoid hemorrhage	Pending approval for launch
	P0901	Treatment of angina pectoris, variant angina, chronic stable angina and hypertension	Under research and development (US ANDA project)[(i)]
	P0903	Treatment of hypertension, coronary heart disease, angina pectoris and variant angina	Under research and development (US ANDA project)[(i)]
	W1004	Prophylaxis of deep vein thrombosis, ischemic complications of unstable angina and myocardial infarction	Pre-clinical stage
	Felodipine Long-Acting Sustained Release Tablets	Treatment of hypertension	Under research and development (US ANDA project)
	Nifedipine Controlled-Release Tablets	Treatment of hypertension	Under research and development (US ANDA project)
Oncology drugs	HLX-01	Treatment of Non-Hodgkin's Lymphoma and chronic lymphocytic leukemia	Pending clinical approval
	HLX-02	Treatment of breast cancer	Pre-clinical stage
	Z1001	Treatment of breast cancer and rectal cancer	Under research and development[(i)]
	Palonosetron and its injection	Prevention of acute and delayed nausea and vomiting associated with emetogenic cancer chemotherapy as well as prevention of postoperative nausea and vomiting	Pending approval for launch
Central Nervous System drugs	Domperidone and its tablets	Treatment of schizophrenia	Pending clinical approval
	Venlafaxine	Treatment of major depression, generalized anxiety disorder, social anxiety disorder (social phobia) and panic disorder	Pending approval for launch (US ANDA project)

Therapeutic Areas	Product	Indications	Status
Anti-infection drugs	GL001	Treatment of malaria	Undergoing clinical trial — BE test
	GL002	Treatment of malaria	Pre-clinical stage
	GL003	Treatment of malaria	Pending clinical approval
	G0802	Treatment of various infectious diseases caused by bacteria	Undergoing phase II clinical trial
	Cefcapene Pivoxil	Treatment of various infectious diseases caused by bacteria	Undergoing phase II clinical trial
	Amoxicillin Controlled-Release Tablets	Treatment of various infectious diseases caused by bacteria	Pending clinical approval
	Entecavir	Treatment of chronic hepatitis B virus infection in adults	Pending approval for launch
Vaccines	Rabies Purified Vaccine for Human Use	Prevention of rabies	Pending approval for launch
	Pandemic Infleuenza Split Vaccine	Prevention of pandemic influenza	Pending clinical approval
	Sub-unit Influenza Virus Vaccine	Prevention of influenza	Pending clinical approval
Other drugs	Arginine (API)	Treatment of hepatic coma and other mental illness due to hyperammonemia	Pending approval for launch
	Acetylcysteine (API)	Early treatment of hepatic failure and treatment of infections of respiratory tract	Pending approval for launch
	Y0805	Treatment of nutritional deficiency diseases	Under research and development[(i)]
	C1009	Treatment of benign prostatic hyperplasia	Pre-clinical stage
	Mesalazine Enteric-coated Sustained-Release Tablets	Treatment of active ulcerative proctitis	Pre-clinical stage

(i) Such research programs do not require clinical trial data.

Below is a description of our selected major pipeline products.

Recombinant human insulin

Recombinant human insulin is produced by using DNA recombination technology. It has the same structure and functions as natural insulin, and can be used to regulate the metabolism of sugar, and facilitate the absorption and utilization of glucose by the liver, bones and adipose tissues through converting glucose to glycogen, which is stored in the muscle and the liver. It also prevents the abnormal increase of glycogen and thus reduces the blood sugar level in the body. According to IMS, in 2011, the estimated size of the PRC recombinant human insulin market was RMB4,718.7 million as compared to RMB3,056.5 million in 2009, representing a CAGR of 24.3% over this period. Currently over 90% of the PRC recombinant insulin market is occupied by large international pharmaceutical corporations.

We have obtained the new drug certificate and manufacturing permit for our recombinant human insulin product, and the facility for its commercial production is under construction. We have filed a patent application on the method of preparation for recombinant human insulin.

Feibusita

Feibusita is a type of xanthine oxidase inhibitor, which can be used to inhibit the conversion of hypoxanthine into xanthine and the conversion of xanthine into uric acid, and is used for the long-term treatment of hyperuricemia with ventilization symptoms. Feibusita has functions that are similar to those of allopurinal, which is the standard drug for the treatment of gout, but it is more effective and specific than allopurinal. No PRC pharmaceutical company is currently producing or selling this pharmaceutical product. According to IMS, in 2011, feibusita products had an estimated market size of RMB1,499.0 million worldwide. Currently feibusita is not sold in the PRC market.

We have completed clinical trials and are summarizing the results of the trials. We have submitted an application for the manufacturing and sale of this product in September 2011. We expect to obtain the manufacturing permit for feibusita in 2012, and commercially launch the product in the PRC market in the same year. We have registered five patents of innovation for Feibusita.

Human rabies vaccine

We completed the acquisition of Dalian Aleph in September 2011, and human rabies vaccine has subsequently become one of our ongoing research programs. Human rabies vaccine is produced by infecting primary Vero cells with fixed rabies virus, then collecting, condensing, refining, purifying the virus fluid from the cell culture and mixing it with an aluminum hydroxide adjuvant. It is used for rabies prevention by allowing the human body to become immune against the rabies virus. We have completed clinical research on this product and are preparing the application to the regulatory authorities for approval to manufacture and sell this product. We currently expect to obtain the manufacturing permit for human rabies vaccine in 2014 and commercially launch the product in the PRC market in the same year.

Entecavir

Entecavir is a guanine nucleotide analogue that inhibits hepatitis B polymerase. These medicines are used for the treatment of chronic adult hepatitis B that demonstrates symptoms of active viral replication, persistent elevations in serum aminotransferases or liver histology showing active lesions,

and are the primary medicines for resisting the hepatitis virus. According to IMS, in 2011, the entecavir APIs and tablets had an estimated market size of RMB1,080.6 million in the PRC as compared to RMB511.9 million in 2009, representing a CAGR of 45.3% over this period.

We have submitted an application to the SFDA for the manufacturing and sale of entecavir in 2010. We currently expect to obtain the manufacturing permit in 2013, and commercially launch the products in the PRC market in the same year.

HLX-01

HLX-01 is a monoclonal antibody used for the treatment of B-cell lymphoma and non-Hodgkin's lymphoma. Monoclonal antibody has the properties of simple biological activity and strong antigen-binding specificity, and it represents the development trends of personalized treatment in the cancer treatment field. According to IMS, in 2011, the estimated size of the PRC market for the product was RMB590.6 million as compared to RMB351.0 million in 2009, representing a CAGR of 29.7% over this period.

We are conducting pre-clinical studies for HLX-01, and are developing a manufacturing technology for large scale production of this product with low cost and high efficiency. We plan to submit an application for the manufacturing and sale of HLX-01 in 2015. We currently expect to obtain the manufacturing permit for the product in 2016, and commercially launch it in 2016.

Manufacturing

As at 30 June 2012, we had a total of 148 production lines at our 18 production facilities in China, which are located in Shanghai, Chongqing, Liaoning, Hubei, Guangxi, Hunan, Guangdong, Jiangsu, Hebei and Sichuan. As at 30 June 2012, we operated manufacturing facilities occupying over 200,000 square meters of land and with a total gross floor area of over 100,000 square meters of buildings and units. All of our pharmaceutical production facilities have obtained the relevant PRC production approvals and permits, which primarily include the manufacturing permits, the GMP certificates and other required production approvals. See "Regulatory Overview — Manufacturing of Pharmaceutical Products". We have obtained requisite licenses or permits for the sale of our manufactured pharmaceutical products from the SFDA at the national level that authorize our manufactured pharmaceutical products to be sold nationwide in China. We adhere to stringent and closely monitored quality assurance and safety control processes in the manufacturing of our products. In order to obtain export qualifications, of our 148 production lines, as at 30 June 2012, five API production lines of drugs had received certifications from the food and drug administrations of the United States and the European Union, one solid dosage drugs production line and one production line for injection products had passed the PQ supplier certification of the WHO and one production line for solid dosage drugs had passed the GMP on-site certification of Canada's pharmaceutical regulatory agency.

As at 30 June 2012, we had more than 9,000 employees in our pharmaceutical manufacturing segment, of which 149 employees were given senior-level professional titles, 516 employees were given mid-level professional titles, and 844 employees were given elementary-level professional titles.

We manufacture our pharmaceutical products in various forms, including tablets, capsules, granules, powder for injection and liquid for injection.

We believe our manufacturing expertise and efficiency enable us to produce quality products cost-effectively and to sell such products at competitive prices. During the Track Record Period, we reduced the production of certain tablets and capsules that have low profit margins. The following table sets forth information on the designed capacity, actual production volume and utilization rates of our pharmaceutical manufacturing facilities for the periods indicated:

		Year ended 31 December									Six months ended 30 June		
		2009			2010			2011			2012		
Product Form	Unit	Designed Capacity[(i)]	Production Volume	Utilization Rate[(ii)] (%)	Designed Capacity[(i)]	Production Volume	Utilization Rate[(ii)] (%)	Designed Capacity[(i)]	Production Volume	Utilization Rate[(ii)] (%)	Designed Capacity[(i)]	Production Volume	Utilization Rate[(ii)] (%)
Tablets and capsules	Billions of units	13.5	6.8	50.3	13.5	7.6	56.2	14.7	7.4	50.3	14.8	4.2	57.2
Injections and small volume parenteral solution	Millions of units	160.3	91.6	57.1	160.3	99.9	62.3	160.3	135.8	84.7	217.3	71.6	65.9
Powder injections	Millions of units	284.4	99.6	35.0	284.4	104.4	36.7	284.4	181.2	63.7	313.4	120.5	76.9
API and intermediate products	Thousands of Tonnes	106.3	104.5	98.3	106.3	104.9	98.7	106.3	103.2	97.1	43.3[(iii)]	16.9	78.1

(i) The designed annual capacity of each product form for the indicated period is measured by the production capacities approved by the environmental protection authorities.

(ii) Equal to the percentage of actual production volume over the approved production capacity for the indicated period.

(iii) Due to the relocation of Shine Star in 2012, our production capacity for API and intermediate products decreased by 63,000 tonnes in the first half of 2012. Such production capacity will increase upon the expected completion of the relocation by the end of 2012.

We have made certain capital commitments to expand our manufacturing facilities. We are expanding our subsidiary Shine Star's facility for the production of amino acid series products, which is expected to be completed by the end of 2012. We are also constructing a new facility for our subsidiary Wanbang Pharma for the production of recombinant human insulin products, which is expected to be completed by the end of 2015. The total investment required for Shine Star's expansion project is expected to be approximately RMB100 million and the new facility is expected to enhance the annual production capacity of Shine Star's amino acid series products to more than 13,000 tonnes. The total investment required for Wanbang Pharma's new facility is expected to be approximately RMB500 million and the new facility is expected to increase annual production capacity by 32 million units of recombinant human insulin injection products. The expansion and construction are funded by bank borrowings and cash generated from our operations.

Raw materials and suppliers

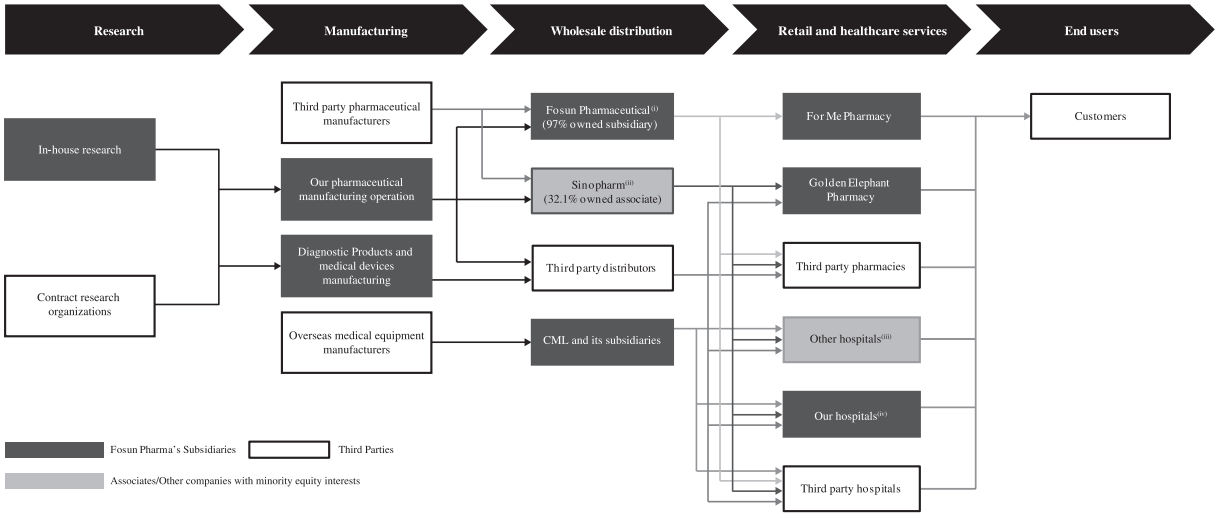
The principal raw materials used for our pharmaceutical products are the necessary active ingredients. We source raw materials, as well as packaging materials and supplemental materials, from various third-party suppliers in China. When we source raw materials from third parties, the purchase price for the relevant raw materials is based on the prevailing market price for such materials of similar quality. We generally keep a raw material supply that ranges from approximately 30 to 90 days for raw materials used in pharmaceutical products, and keep higher levels of inventory for raw materials that are harder to procure, whose levels can be up to a year in some rare instances. We generally pay a down payment, which can be full or partial payment for the goods procured, to our suppliers before the goods are delivered. We are normally granted a credit period of up to 120 days by our suppliers for any remaining outstanding payment.

We carefully screen our suppliers for our pharmaceutical manufacturing operations. We have established and maintained a stringent supplier evaluation system to ensure the raw materials comply with applicable regulatory requirements, meet our quality standards and satisfy our technological requirements for pharmaceutical manufacturing operations. We require that our suppliers provide us with evidence that they have all licenses and permits necessary to conduct their operations, which may include business licenses, manufacturing permits, import registration certificates, GMP or other relevant licenses and any other related documents. Under the GMP standards, we select suppliers by assessing the quality of their products as well as their quality control systems. We also order raw material samples from major suppliers, conduct trial production using such samples and test the stability of the trial products. We are required to file the list of qualified API suppliers to the provincial pharmaceutical regulatory authorities from time to time. We classify our key suppliers and evaluate them periodically. At the end of each financial year, we will review our suppliers and evaluate the selected suppliers comprehensively.

We usually purchase our raw materials and other supplies from various suppliers to enhance our bargaining power and to avoid excessive reliance on one single supplier. Under the PRC GMP standards, major raw material suppliers of pharmaceutical products are required to be registered with the provincial branches of the SFDA. We generally engage more than two registered suppliers for each major raw material of most of our pharmaceutical products (including all of its major products). We also engage more than two suppliers for each of our accessories and packaging materials. In very limited cases, we purchase raw materials exclusively from one supplier. For example, Guilin Pharma purchased raw materials for its josamycin tablets exclusively from the Yamanouchi Pharmaceutical Company. We generally enter into long-term supply agreements with these exclusive suppliers to secure the stable supply of these raw materials. Guilin Pharma had not encountered any shortage of supply of raw materials for its josamycin tablets since it commenced production of this product. We select qualified suppliers based on their advanced production facilities, quality consistency and application of environmentally friendly technology. We generally do not have long-term contracts with our major suppliers for our pharmaceutical manufacturing operations. However, the majority of our raw material supplies have been sufficient for our business operations. We believe that alternative raw material suppliers for almost all of our products are readily available and the loss of any single supplier would not have a material impact on our operations. Under our product return policies, we may return raw materials to suppliers if the raw materials are contaminated or damaged, the raw materials fail to meet our specified quality standards, or their effective dates have expired. During the Track Record Period and as at the Latest Practicable Date, we had not experienced any major interruptions in the supply of raw materials and other supplies or made any material return of supplies due to quality problems for our pharmaceutical manufacturing operations. During the Track Record Period, we had over 1,500 suppliers for this segment each year. Most of the major suppliers for this segment except Sinopharm are Independent Third Parties suppliers of chemical and pharmaceutical materials and ingredients. We believe that we have maintained good relationships with our suppliers, which enables us to procure raw materials and supplies used for our manufacturing operations in a reliable manner. In addition, we generally have alternative sources of supply for each type of our raw materials, and therefore we do not anticipate significant difficulties in sourcing them.

Sales and marketing

We sell substantially all of our prescription drugs to pharmaceutical distributors in China, which in turn distribute these pharmaceutical products to hospitals, clinics, retail pharmacies and secondary distributors. Our sales of over-the-counter medicines mainly focus on retail pharmacies in China, through which we sell our medicines to the end customers. The following chart illustrates the product and revenue flows of our business segments in the healthcare industry value chain:



(i) The vast majority of our pharmaceutical products are distributed through third party distributors. Sales from pharmaceutical manufacturing subsidiaries to Fosun Pharmaceutical (accounted as intersegment sales and eliminated on consolidation) are limited. Fosun Pharmaceutical procures most of its products from third parties. See "Business — Our Business Segments — Pharmaceutical Distribution and Retail" in this prospectus for additional information.

(ii) The sales of our pharmaceutical products that were distributed through Sinopharm's distribution network represented 2.9%, 5.8%, 7.8% and 9.2% of the external revenue of our pharmaceutical manufacturing segment in 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. We expect this percentage to continue to increase as our business cooperation with Sinopharm further strengthens.

(iii) Other hospitals include United Family Hospitals, operated by Chindex in which we had an 18.52% equity interest as at the Latest Practicable Date.

(iv) Our hospitals include hospitals in which we hold a majority equity interest, such as Jimin Cancer Hospital and Guangji Hospital.

In addition to our sales in the PRC, we also export certain of our finished products, APIs and intermediate products, such as the clindamycin API and the artesunate series, to overseas markets, including the United States, Europe, and certain African countries. For the year ended 31 December 2011 and the six months ended 30 June 2012, our revenue from exports of finished products, APIs and intermediate products amounted to RMB756.9 million and RMB384.0 million, respectively.

We have established an extensive sales and marketing network and increased coverage of end customers by placing sales representatives in all major markets where our products are sold. Historically, we have primarily used third party sales and marketing companies and agencies to promote and sell our products to more customers in different regions. We use a set of criteria, which include scale of operation, reputation, network coverage, quality of sales personnel and financial conditions, in selecting third party sales teams. We also have specific personnel or departments to manage and provide support and

services, which include setting sales targets, personnel training, inspection and supervision, and performance analysis, to these third party sales teams to safeguard our reputation and quality of services. We divide our sales team essentially according to therapeutic areas and product lines.

As our pharmaceutical manufacturing business further develops, we have realized that our own sales team is more effective in conducting academic promotion of our pharmaceutical products to end customers such as hospitals and pharmacies. Consequently, we decided to strengthen our sales primarily by expanding our sales team. We currently decide whether to use our own marketing teams or third party sales teams based on our products, geographical reach and marketing needs. We have comprehensive policies to manage our sales personnel, including but not limited to guidelines on the sales personnel's behaviors, and policies on sales management, product distribution, and on management of receipts and accounts receivables. Our sales and marketing team is responsible for implementing our overall marketing strategy, promoting our brands and conducting market research. Our sales representatives are primarily responsible for promoting our products to target hospitals and other medical institutions. Our sales representatives are able to update doctors with the latest information on our products through regular visits and marketing activities. As at 30 June 2012, our sales and marketing department had over 1,500 sales and marketing representatives, with responsibilities for product sales and the provision of after-sales services. We plan to continue the expansion of our sales team to support revenue growth. To expand our sales team, we plan to strengthen recruitment of qualified personnel, consolidate the sales teams of acquired companies, and acquire third party sales teams. In addition, we use third party sales teams to promote our products.

Furthermore, we continually strengthen our marketing capabilities by improving product knowledge and sales skills. Although our manufacturing subsidiaries generally market and sell their own products, we are in the process of consolidating the sales and marketing operations for our major products. We plan to strengthen marketing, expand the marketing team, and devise centralized national marketing plans according to therapeutic areas and major products or product lines to drive the sales growth of our products.

We have over 2,000 distributors as at 30 June 2012, and we do not rely on any single distributor for the distribution of our pharmaceutical products. We select our distributors after reviewing and ensuring that the distributors adhere to the relevant GSP regulations and standards for pharmaceutical products and implement stringent controls on its operations, including standards regarding staff qualifications, premises, warehouses, inspection equipment and facilities, management and quality control. For our environment and temperature sensitive pharmaceutical products, we also assess our distributors based on their ability to satisfy the conditions required during distribution of these products under GSP regulations, for example, their abilities in fulfilling certain temperature, humidity, handling, storage and transportation requirements that are specific to these products. We also select our distributors based on a number of other criteria, including credit records, financial conditions, customer portfolio, distribution networks and market position. During the Track Record Period, our relationships with certain distributors were terminated primarily due to the market consolidation in the PRC pharmaceutical distribution industry, as a result of which some of our distributors were acquired by or merged with other distributors. In addition, we terminated relationships with some distributors due to their poor or unsatisfactory performances. In the event that we decide to terminate a distributor, in order to ensure the proper sales of the remaining inventory of this distributor, we normally assist in allocating this distributor's remaining inventory to other distributors in the same area who have good relationships with us and have additional sales capacity for such inventory to avoid any potential reputational risk. We also

request the terminated distributor to settle any outstanding balances with us as soon as possible. We continue to add new distributors to expand our sales network. Due to the large number of our distributors, the impact of a certain distributor's termination and replacement is very limited.

The following table sets forth the changes in the number of our distributors for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2009	2010	2011	2012
As at the beginning of the period.	2,462	2,030	2,007	2,323
Addition of new distributors.	678	561	855	187
Termination of existing distributors..	1,110	584	539	425
Net increase (decrease) in distributors.	(432)	(23)	316	(238)
As at the end of the period.	2,030	2,007	2,323	2,085

In addition, we benefit from Sinopharm's extensive pharmaceutical distribution network, well-known reputation and comprehensive logistical services. In 2009, 2010 and 2011, in terms of sales, RMB67.8 million, RMB165.9 million and RMB297.4 million, respectively, of our pharmaceutical products were distributed through Sinopharm's distribution network, which accounted 2.9%, 5.8% and 7.8% of our external revenue of the pharmaceutical manufacturing segment representing a CAGR of 109.4% over the period. For the six months ended 30 June 2012, 9.2% of our external revenue from our pharmaceutical manufacturing segment was derived from the sale of our products through Sinopharm's distribution network. We expect this ratio to continue to increase as our cooperation with Sinopharm strengthens.

We generally enter into distribution agreements with our distributors. A typical distribution agreement may set the sales volume target and price of our products, though the agreement does not contain terms that impose any fine or penalty against the failure to meet this target. During the Track Record Period, we did not impose any material reduction on price discounts or other preferential treatment, nor did we cease granting, any price discounts or other preferential treatment to any distributors nor did we terminate any distribution agreement due to the failure of any distributor to meet the sales volume targets under the distribution agreement, where the result of such action would have had a negative material impact on our financial condition or results of operations. We may reduce or eliminate price discounts and other preferential treatments to distributors who fail to meet the sales volume targets, or terminate such distributors if they consistently fail to meet the targets. In most cases, the distribution agreements do not prohibit the distributors from distributing competing products. The distributors are liable for any breach by them of the relevant distribution agreements and are responsible for indemnifying us for damages as a result of such breach.

Our standard distribution agreements entitle us to terminate the distribution right of our distributors if it is discovered that the distributor sells beyond designated geographic areas. During the Track Record Period, we were not aware of any material breaches of distribution agreements by any distributor. The distribution agreements may be renewed by mutual agreement among the parties. We also enter into sales agreements with some of our distributors, which only set forth the sales price, quantity and logistics details for the delivery of our products and do not have sales targets.

We generally collect a down payment, which can be full or partial payment for the goods sold, from our distributors before delivering goods to them. We normally grant a credit period of up to 30 to 60 days to our distributors for any remaining outstanding payment. We generally only accept sales returns for defective products. During the Track Record Period, we did not encounter any material sales returns. Our sales representatives also regularly communicate with hospitals as part of our efforts to assess the performance of our distributors. Our distributors generally have strong credit records and steady cash flow, and we have not experienced any material delays of payment by our distributors. Other than Sinopharm and Fosun Pharmaceutical, to the best knowledge of our Directors, all our distributors are Independent Third Party pharmaceutical distribution companies.

The following table sets forth the breakdown of our pharmaceutical manufacturing segmental revenue:

	Year ended 31 December			Six months ended 30 June
	2009	2010	2011	2012
	(in thousands of RMB)			
Intersegment revenue				
— From Fosun Pharmaceutical	2,034	255	549	188
— From other subsidiaries	4,608	565	63	726
Total internal revenue	6,642	820	612	914
External revenue				
— From sales of APIs	812,009	917,856	1,102,654	502,871
— From sales to Sinopharm	67,817	165,905	297,392	199,140
— From sales to third party distributors and third party retail pharmacies	1,427,265	1,754,169	2,430,778	1,473,865
Total external revenue	2,307,091	2,837,930	3,830,824	2,175,876
Total segment revenue	2,313,733	2,838,750	3,831,436	2,176,790

Product Pricing

As at 30 June 2012, of the 625 pharmaceutical products that we manufactured, 477 or 76.3% were included in the National Insurance Drugs Catalog, including all of our 19 major prescription drugs and an additional 122 of our pharmaceutical products were included in the Provincial Medical Insurance Drugs Catalogs. These catalogued pharmaceutical products are subject to retail price controls imposed by the PRC government or the relevant provincial governments in the form of fixed retail prices or maximum retail prices. The rest of our products are generally not subject to retail price controls. We set the retail prices of products that are not subject to price controls by referring to a number of factors, including market trends, changes in the levels of supply and demand, product costs and the prices of competing products available in the market.

Our products are sold at wholesale prices to our distributors, who in turn sell them to hospitals and medical institutions in the PRC. The PRC government authorities do not impose restrictions over the wholesale prices at which pharmaceutical manufacturers, such as ourselves, sell products to distributors. However, controls over and adjustments to the retail price of a pharmaceutical product, if significant, could have a corresponding impact on its wholesale price at which we sell our products to distributors.

In March 2011, the NDRC lowered the maximum retail prices of certain pharmaceutical products, affecting 11 of our products, including three major products, Xin Xian An, Bang Tan and Xi Chang. Revenue from the sales of the three major products collectively accounted for 2.6%, 6.5%, 5.0% and 5.2% of our total revenue for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. In August 2011, the NDRC lowered the maximum retail prices of certain pharmaceutical products, affecting five of our products, including one major product Wan Su Ping, which collectively accounted for 2.4%, 2.3%, 2.1% and 1.9% of our total revenue for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. In March 2012, the NDRC lowered the maximum retail prices of certain pharmaceutical products, affecting one of our major products, Atomolan, which accounted for 7.8%, 8.7%, 7.5% and 7.9% of our total revenue for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. In September 2012, the NDRC again lowered the maximum retail prices of certain pharmaceutical products, affecting ten of our products, including three major products, Bang Ting, Su Ke Nuo and Yi Bao. Revenue from the sales of the three major products collectively accounted for 2.1%, 3.3%, 3.7% and 5.7% of our total revenue for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively.

Generally, we sell our manufactured pharmaceutical products to distributors at prices that are lower than the implied maximum hospital purchase price, while the maximum hospital purchase prices are lower than the maximum retail prices under the price controls. As a result, our pharmaceutical products' selling prices to distributors and the maximum hospital purchase prices never exceed the maximum retail prices allowed under the price controls. During the Track Record Period, for most of our products affected by the aforesaid NDRC price adjustments, the revised maximum retail prices and the implied maximum hospital purchase prices were still higher than our actual successful bid prices during the statutory tender process at that time. Consequently the adjustments had limited impact on our revenue and the gross profit margin of the products affected by such controlled price changes. As at the Latest Practicable Date, except for the March 2011, August 2011, March 2012 and September 2012 adjustments, the NDRC has not lowered the maximum retail price of our major products since 1 January 2009. See "Risk Factors — Risks Relating to Our Businesses and Industries — Each of our business segments, including a substantial proportion of the pharmaceutical products manufactured and distributed by us, is subject to government price controls or other price restrictions in the PRC" from page 55 to page 56 and "Regulatory Overview — Price Controls" from page 129 to page 132 in this prospectus for additional information.

We seek to mitigate this impact through technological innovation, expansion of production to achieve economies of scale, adjustment of product portfolio, and research and development of higher-end new products that are not listed on the insurance drug catalogs. As the PRC government encourages pharmaceutical research and development, the government imposed prices for innovative drugs and first to market generic drugs tend to be higher than regular generic drugs, resulting in higher profit margins for these new products. Expansion of production allows us to achieve greater economies of scale and reduce the average costs of our pharmaceutical products. We also adjust our product portfolio to focus

on production of higher margin pharmaceutical products and eliminate products that are less profitable due to effects of the price controls. Wholesale prices for our products sold to our own distribution network are not different from those sold to third party distributors.

Substantially all procurement of pharmaceutical products by public hospitals and medical institutions is subject to the statutory tender process that involves bidding by manufacturers of these products. The bidding process is organized by the national or provincial governments and is normally held twice a year. A duly organized bid-evaluation committee, which is composed of pharmaceutical experts and clinical medical experts who will be randomly selected from a database of experts established by the relevant government authority, is responsible for bid evaluations. The selection is based on a number of criteria, including bid price, quality, clinical effectiveness, and manufacturer's reputation and service quality. We participate in such statutory tender processes with or through our distributors regularly. We have an internal process to identify, evaluate and select which pharmaceutical products to submit tenders for. For those statutory tender processes that we have participated, our total success rate had been higher than 70% during the Track Record Period. We work with our distributors during the statutory tender processes and seek to improve our overall bidding position and number of successful bids by utilizing our industry expertise, market sensitivity and product quality. The successful bidding prices are the hospital procurement prices at which distributors sell the products to the hospitals, and in part this determines the prices at which we sell the products to distributors. After the tender process, our distributors distribute our products upon receiving purchase orders provided by the hospitals, which specify the brand, volume and types of pharmaceutical products.

PHARMACEUTICAL DISTRIBUTION AND RETAIL

Pharmaceutical distribution

Sinopharm

In January 2003, Shanghai Fosun Industrial Investment and CNPGC jointly established Sinopharm with 49% and 51% shareholding interest, respectively. In May 2004, Shanghai Fosun Industrial Investment transferred its 49% equity interest in Sinopharm to our Group. As at the Latest Practicable Date, we were the second largest beneficial shareholder of Sinopharm and had four representatives on its board. According to published information from Sinopharm, it operates the largest pharmaceutical distribution network in China in 2011.

According to published information from Sinopharm, as at 30 June 2012, Sinopharm primarily distributed a full line of prescription and over-the-counter medicines, consisting of branded and generic Western and Chinese medicines, as well as healthcare products and medical supplies through a geographically diverse distribution network of 50 distribution centers (secondary distribution companies) spanning 30 provinces, autonomous regions and municipalities in China. Sinopharm's direct customers accounted for 74.0% of all hospitals in China, including 93.8% of the most highly ranked class-three hospitals. Sinopharm also distributes prescription and over-the-counter pharmaceutical and healthcare products through its distribution network to other distributors, retail pharmacies and other customers, including retail chain stores, independent pharmacies, community clinics and other healthcare institutions according to the published information from Sinopharm.

We benefit from Sinopharm's extensive pharmaceutical distribution network, well-known reputation and comprehensive logistical services. In 2009, 2010 and 2011, in terms of sales, RMB67.8 million, RMB165.9 million and RMB297.4 million, respectively, of our pharmaceutical products were distributed

through Sinopharm's distribution network, which accounted 2.9%, 5.8% and 7.8% of our external revenue of the pharmaceutical manufacturing segment representing a CAGR of 109.4% over the period. For the six months ended 30 June 2012, 9.2% of our external revenue from our pharmaceutical manufacturing segment was derived from the sale of our products through Sinopharm's distribution network. We expect this percentage to continue to increase as our cooperation with Sinopharm strengthens. In addition, as the second largest beneficial shareholder of Sinopharm, we also share in Sinopharm's rapidly growing profits. Our net profits generated from our share of profits in Sinopharm Investment, the controlling shareholder of Sinopharm, amounted to RMB352.7 million, RMB390.3 million, RMB509.2 million and RMB305.9 million in 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively.

Our pharmaceutical distribution business

We distribute pharmaceutical and healthcare products through our own distribution network operated by Fosun Pharmaceutical. Fosun Pharmaceutical is the sole supplier of our For Me Pharmacy and also a supplier to other retail pharmacies, healthcare institutions and pharmaceutical distributors primarily in Shanghai. During the Track Record Period, we also distributed pharmaceutical and healthcare products through Zhejiang Fosun. For the years ended 31 December 2009, 2010 and 2011, our revenue from Zhejiang Fosun was RMB235.6 million, RMB263.3 million and RMB118.5 million, respectively, representing 6.1%, 5.8% and 1.8%, respectively, of our external revenue for the same periods. We disposed of our equity interests in Zhejiang Fosun to Sinopharm in June 2011 as part of our strategy to consolidate our distribution operation. The cash consideration from the disposal of Zhejiang Fosun was RMB36.7 million and was calculated based on valuation by an Independent Third Party agency.

Retail pharmacy

We engage in the retail pharmacy business primarily through the operations of For Me Pharmacy and Golden Elephant Pharmacy, and have successfully established a leading position in the retail pharmacy market in Shanghai and Beijing. As at 30 June 2012, according to data from the Beijing Municipal Drug Administrative Bureau, our Golden Elephant Pharmacy was the largest single brand retail pharmacy in Beijing by number of stores. As at 30 June 2012, according to data from the Shanghai Municipal Drug Administrative Bureau, our For Me Pharmacy was the largest single brand retail pharmacy in Shanghai by number of stores. We established the For Me Pharmacy in 2001 with the aim to venture into the pharmaceutical retail business. Over the years For Me Pharmacy has become a leading brand for retail pharmacy in Shanghai and expanded its network to 470 drug stores as at 30 June 2012. Golden Elephant Pharmacy was originally a state-owned retail pharmacy chain, which had businesses and operations primarily in Beijing and had established itself as a leading local retail pharmacy brand. We participated in Golden Elephant's restructuring in 2001 and Golden Elephant Pharmacy became our associated company after the restructuring. We acquired and consolidated Golden Elephant Pharmacy in December 2010. Thereafter, Golden Elephant Pharmacy continued to focus on the Beijing market for its retail pharmacy business and retained its brand name Golden Elephant. As For Me Pharmacy and Golden Elephant Pharmacy have separate geographical focuses, distribution and logistics systems, as well as managerial structures, these two brands do not directly compete with each other or cannibalize each other's market shares.

Retail network

We operate a retail network in Beijing, Shanghai, Tianjin, Sichuan, Hebei, Shanxi, Shandong and Inner Mongolia. As at 30 June 2012, our retail pharmacy network consisted of 670 retail pharmacies, among which 146 were directly operated retail pharmacies and 524 were franchised pharmacies. The following table sets forth the number of our directly operated retail pharmacies and franchised pharmacies as at the dates indicated:

	As at 31 December									As at 30 June		
	2009			2010			2011			2012		
Province	Directly operated retail pharmacies	Franchised pharmacies	Total	Directly operated retail pharmacies	Franchised pharmacies	Total	Directly operated retail pharmacies	Franchised pharmacies	Total	Directly operated retail pharmacies	Franchised pharmacies	Total
Shanghai	65	302	367	70	323	393	71	380	451	75	395	470
Beijing	64	108	172	60	101	161	56	103	159	55	108	163
Other regions	25	8	33	16	7	23	18	23	41	16	21	37
Total	154	418	572	146	431	577	145	506	651	146	524	670

(i) The number of stores included retail pharmacies under Golden Elephant Pharmacy, in which we had acquired a majority stake in December 2010.

We believe the continuing growth and success of our retail business depends on whether we can continue to establish new retail pharmacies. Our retail pharmacy expansion plan focuses on adding retail pharmacies within existing markets and actively expanding into new markets at the same time. We plan to use the Golden Elephant Pharmacy as the base to expand our retail pharmacy coverage in the Northern China market, and use the For Me Pharmacy as the basis to expand our retail pharmacy coverage in the Yangtze River Delta market. During the Track Record Period, the number of our retail pharmacies increased primarily due to the increase of franchised pharmacies. The number of directly operated retail pharmacies slightly decreased over the Track Record Period primarily due to the decrease in the number of retail pharmacies under the Golden Elephant brand as it closed down a number of directly operated retail pharmacies outside of Beijing. We consolidated Golden Elephant Pharmacy in December 2010. Our expansion strategy focuses on the overall growth of our entire retail pharmacy network and on the growth of pharmacies that perform well. We particularly focus on the growth of the number of franchised pharmacies. We evaluate store performances and effectively manage our franchised pharmacies with respect to their service quality and compliance with the terms of the franchise agreement. We believe that adding new pharmacies in appropriate regional markets and the continued optimization and adjustment of store locations are essential strategies for competing effectively in the current environment and maintaining our leading positions in the retail pharmacy markets in areas where we operate our retail pharmacies.

Directly operated retail pharmacies

As at 30 June 2012, we had 146 directly operated retail pharmacies, most of which were located in Shanghai and Beijing. The For Me Pharmacies are mainly concentrated in Shanghai, while the Golden Elephant Pharmacies are mainly concentrated in Beijing and the adjacent areas. We carefully select our store locations with a view towards maximizing consumer traffic, store visibility and convenience for our customers. Substantially all of our retail pharmacies are located in well-developed urban residential communities and prime retail locations.

Franchised pharmacies

As at 30 June 2012, we had 524 franchised pharmacies, most of which were located in Shanghai and Beijing. We typically grant our franchised pharmacies the right to operate under our retail brands for a one-time franchise fee and subsequent annual management fees. In addition, our franchised pharmacies use our centralized information technology system to monitor inventory flow and manage store operations, and the maintenance fee of the system is included in the annual management fee that we charge.

The table below sets out the movement of franchisee stores during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2009	2010	2011	2012
At commencement of the year/period	394	418	431	506
Addition of new franchisees	35	37	91	25
Termination of existing franchisees	(11)	(24)	(16)	(7)
Net increase of franchisees	24	13	75	18
At end of the year/period	418	431	506	524

We regularly review and evaluate the performance of our franchisee stores by examining factors such as the level of sales, service quality and their compliance with the terms of the franchise agreement. We may choose to terminate certain franchisees' stores in the event that the results of such reviews are not satisfactory.

Under the terms of our franchise agreements, we require our franchisees to fulfill a number of obligations, including: (i) operating under our retail pharmacy brand; (ii) sourcing products from us; (iii) maintaining all necessary permits and licenses for operations and store facilities; (iv) recruiting qualified professionals and employees; and (v) maintaining our uniform store design.

Pursuant to the franchise agreements, we provide various services for our franchisees to ensure the sale of our products, including management and employee training programs, advertising and marketing initiatives. We also inspect our franchised pharmacies on a regular basis to maintain our quality standards and brand reputation. Franchised pharmacies of the For Me Pharmacy currently source all their products from us. We supply products to these franchised pharmacies and monitor their quality. Other than to source products from us, franchised pharmacies of the Golden Elephant Pharmacy also sourced products from other suppliers during the Track Record Period. We do not have minimum purchase requirements for franchised pharmacies under the franchise agreements. Our franchise agreements typically expire three to five years from the dates of the agreements, but can be extended or renewed upon mutual consent. We charge each franchisee a one-time franchise fee upon joining our retail networks under the For Me Pharmacy or the Golden Elephant Pharmacy. Such a one-time franchise fee is determined by taking into account factors such as market demand, the reputation and market positions of our retail brand names, and the prevailing market rates in Shanghai or Beijing for joining retail pharmaceutical networks.

Under the relevant regulations, we normally establish only one retail pharmacy in every retail district. As a retail pharmacy serves mainly local residents, each of our directly operated stores and our franchised stores are located distantly enough from one another so that the level of competition and market cannibalization among these stores are limited. In addition, we have strict internal pricing control policies for our pharmaceutical retail networks so that pharmaceutical products are priced uniformly across our retail networks, whether directly operated or franchised.

During the Track Record Period, the number of our For Me Pharmacy stores increased primarily due to the openings of our new directly owned stores and franchised stores, and the number of our Golden Elephant Pharmacy stores decreased, primarily due to the closing of some existing stores. After we acquired Golden Elephant Pharmacy in December 2010, we consolidated its operation and closed some stores that did not meet our performance standards or our strategic needs. We closed down some directly operated stores and terminated some franchisees under both brands due to their failure to meet our business performance standards, which included revenue generation capability, service quality, profitability levels, as well as compliance with our internal guidelines or franchise agreements. The following table sets forth the changes in the number of our retail drug stores during the Track Record Period:

Golden Elephant Pharmacy

	Year ended 31 December			Six months ended 30 June
	2009	**2010**	**2011**	**2012**
At commencement of the year/period	213	205	184	200
Additions of new retail drug stores	5	2	27	6
Termination of existing retail drug stores	(13)	(23)	(11)	(6)
Net increase/(decrease) in retail drug stores	(8)	(21)	16	0
At end of the year/period	205	184	200	200

For Me Pharmacy

	Year ended 31 December			Six months ended 30 June
	2009	**2010**	**2011**	**2012**
At commencement of the year/period	333	367	393	451
Additions of new retail drug stores	36	43	75	24
Termination of existing retail drug stores	(2)	(17)	(17)	(5)
Net increase in retail drug stores	34	26	58	19
At end of the year/period	367	393	451	470

Store operations

We have developed a uniform and distinct color scheme and design specifications, which promote the corporate image of our retail pharmacies. Each of our retail pharmacies is staffed with a qualified in-store pharmacist, who primarily provides consultancy services to customers and assists with the dispensing of prescription drugs. In addition, we regularly carry out training programs on medical information, nutritional information and sales and customer interaction skills for our store staff and pharmacists, as well as management training for our regional and senior managers and management officers.

We operate two online pharmaceutical retail platforms, namely, Golden Elephant Online (金象在線, **www.jxdyf.com**) by Golden Elephant Pharmacy, which was awarded as the "Exemplary E-commerce Enterprises" by the Ministry of Commerce of PRC in 2011, and DaoYao Net (導藥網, **www.daoyao.com**) by For Me Pharmacy. Our online platforms procure pharmaceutical products from our pharmaceutical manufacturing segment as well as third party distributors and sell over 9,000 types of products to customers mainly in the Beijing area and Shanghai area. Through these online platforms, we sell mainly over-the-counter drugs as well as healthcare products. We engage third parties to provide logistics services to deliver their pharmaceutical products to end customers. As at the Latest Practicable Date, we have secured all necessary licenses and permits for selling pharmaceutical products online, including the qualification certificate for online pharmaceutical operation and the qualification certificate for delivering public available drug information services over the Internet.

Products and services

We provide our customers with convenient and professional pharmacy services and a variety of healthcare products. Our merchandise can be broadly classified into the following categories:

- *Prescription medicines*. We only dispense prescription medicines based on prescriptions from physicians and other licensed healthcare services workers. Our qualified in-store pharmacists verify the validity, accuracy and completeness of all prescription orders.

- *Over-the-counter medicines*. They primarily include Western medicines and Chinese medicines, for treatment of common diseases.

- *Healthcare and personal care products*. They primarily include a variety of healthcare supplements, vitamins, minerals and dietary products, skin care, hair growth, beauty products and cosmetics and seasonal merchandise.

The development of our store operations depends significantly upon our ability to offer consumers a broad selection of high-quality pharmaceutical products. As a result, our success in our retail pharmacy operations is dependent upon maintaining beneficial and stable supplier relationships. We purchase our retail merchandise directly or indirectly through our own distribution business, including Sinopharm, various third party manufacturers and distributors. In addition, we also source products from our own pharmaceutical manufacturing segment.

We believe that alternative suppliers or products are readily available for substantially all of the products we stock, and the loss of any one supplier would not have a material effect on our operations. Although we generally do not have long-term written contracts with our major suppliers, we have not

experienced significant difficulty in maintaining reliable sources of supplies or any material return of supplies due to quality problems during the Track Record Period, and we generally expect to be able to maintain adequate sources of supply of pharmaceutical and other products sold in our retail pharmacies.

Marketing and promotion

Marketing activities for our store operations have been primarily conducted by our head office, which allows us to centralize our marketing efforts. We also grant each retail store a certain degree of autonomy to carry out its own marketing activities. We run advertisements periodically in selected newspapers as well as on billboards and seating areas of public transportation systems to promote our brand. In addition, for healthcare and personal care products, we have joint marketing and promotion programs with our product suppliers and manufacturers, which primarily include customised product packaging featuring our logos, in-store product promotion and displays and periodic special discounts.

RELATIONSHIP WITH SINOPHARM

As at the Latest Practicable Date, we beneficially held a 32.1% equity interest in Sinopharm and had four representatives, all of whom are non-executive directors, on Sinopharm's board of directors. These non-executive directors were (i) Mr. Chen Qiyu, our executive Director and chairman, (ii) Mr. Wang Qunbin, our non-executive Director, (iii) Mr. Liu Hailiang, our chief Supervisor, and (iv) Mr. Fan Banghan, our senior deputy general manager.

In distribution, our subsidiary Fosun Pharmaceutical is the exclusive pharmaceutical distributor for our For Me Pharmacy, which operates in the Shanghai area. Fosun Pharmaceutical also distributes products to other third party pharmacies in Shanghai and thus competes against Sinopharm's distribution business in Shanghai, even though it does not distribute any products outside the Shanghai area. Our competition with Sinopharm in pharmaceutical distribution in Shanghai is limited because the scale of Fosun Pharmaceutical's distribution operation is insignificant as compared to that of Sinopharm. For the six months ended 30 June 2012, Fosun Pharmaceutical's revenue from its external sales to third parties was RMB324.5 million, which amounted to only 0.5% of Sinopharm's revenue from pharmaceutical distribution operation of RMB62,889.4 million for the same period in 2012.

In retail, Sinopharm operates retail pharmacies in Shanghai and Beijing and these pharmacies compete against our For Me Pharmacy and Golden Elephant Pharmacy. As at 30 June 2012, according to data from the Beijing Municipal Drug Administrative Bureau, our Golden Elephant Pharmacy was the largest single brand retail pharmacy in Beijing by number of stores. As at 30 June 2012, according to data from the Shanghai Municipal Drug Administrative Bureau, our For Me Pharmacy was the largest single brand retail pharmacy in Shanghai by number of stores. Our competition with Sinopharm in retail is limited because local governments in the PRC have regulations and guidance on retail pharmacies maintaining minimal distances from each other. As retail pharmacies derive most of their revenue from local residents, these laws and regulations have restricted and reduced the competition between our retail pharmacy network and Sinopharm's retail pharmacy network.

As a part of our strategy, we have adopted the practice of using Sinopharm's strong nation-wide distribution network and leveraging on third party distributors' strength in certain therapeutic or geographical areas to distribute pharmaceutical products efficiently across the country. We also plan to ensure Fosun Pharmaceutical, as the sole supplier of the For Me Pharmacy retail chain stores, which in

turn is its biggest customer, will currently continue to focus on and strengthen its business of distribution of pharmaceutical products in Shanghai. As such, we consider the competition between our business and Sinopharm's business insignificant.

HEALTHCARE SERVICES

As the PRC economy develops, demand for quality healthcare service increases, which leads to significant growth opportunities in the premium, specialty and general healthcare services markets. To seize these growth opportunities, we have been actively seeking to invest in or operate healthcare service institutions since 2009. We currently participate in premium healthcare services through United Family Healthcare, the premium healthcare services operation under Chindex, in which we hold an 18.52% equity interest as at Latest Practicable Date. According to Chindex's annual and interim reports, for the years ended 31 March 2009 and 2010, the nine months ended 31 December 2010 and the year ended 31 December 2011, its revenue was US$171.4 million, US$171.2 million, US$136.7 million and US$114.4 million, respectively, and its net income was US$5.0 million, US$8.2 million, US$5.8 million and US$3.2 million, respectively. Under our agreement with Chindex, subject to certain conditions, we are allowed to nominate two representatives for election to Chindex's board of directors, which will be increased to nine directors, if the persons nominated by us meet the requisite criteria and are approved by Chindex's nomination and governance committee of the board of directors. These criteria include possessing sufficient private industry experience, general acceptance of Chindex's mission and strategy, qualifying as "independent" under the Nasdaq rules and the requirements under U.S. securities law, and other policies under Chindex's ethics and compliance program. This hospital network provides premium healthcare services primarily to foreign expatriates in the PRC as well as a growing number of upper and middle class PRC customers in Beijing, Shanghai, Tianjin and Guangzhou.

In addition, we provide specialized cancer treatment services through Jimin Cancer Hospital, which is located in Hefei, Anhui province. Since December 2011, we have also operated a general hospital, Guangji Hospital, which is located in Yueyang, Hunan province. Our healthcare services team has the requisite professional expertise and substantial experience in healthcare services investment and management. We seek to establish distinctive advantages in the overall healthcare industry through specialization in the healthcare services market to occupy competitive niches. We will concentrate our existing healthcare technology, management, human and capital resources to accelerate the research and development of new healthcare technologies, standardize management, expand our presence and achieve economies of scale in this segment. We believe that our strategic investment in premium and specialized healthcare services business and the continued optimization of healthcare service resources will not only help us capture the substantial growth opportunities in China's fast-growing healthcare services market, but also further expand our coverage of the healthcare industry value chain in the PRC, synergize the brand effects of our pharmaceutical production and distribution operations, and consequently enhance our position in the healthcare industry.

United Family Healthcare

United Family Healthcare is the brand of premium healthcare services operation under Chindex, which targets foreign expatriates in the PRC and upper and middle class PRC customers. Emphasizing the need for wellness care (routine visits in the absence of illness) and patient-centered care (involving the patient in healthcare decisions), United Family Healthcare offers a full range of premium quality healthcare services, including 24/7 emergency rooms, intensive care units and neonatal intensive care units, and

radiology and blood banking services through a network of private primary care hospitals and affiliated ambulatory clinics. United Family Healthcare hospitals and clinics are staffed with many renowned domestic and foreign physicians.

United Family Healthcare provides premium healthcare services in Beijing, Shanghai, Tianjin and Guangzhou. Beijing United Family Hospital commenced operations in 1997. It has opened the United Family New Hope Oncology Center in 2011, which is the first healthcare institution in the PRC built according to U.S. Leadership in Energy and Environmental Design ("LEED") standards that enable cancer treatment under the multidisciplinary group therapy in a unique and relaxed setting. In Shanghai, apart from the operations of Shanghai United Family Hospital, United Family Healthcare also manages the International Division at Huashan Pudong Hospital. The Tianjin United Family Hospital commenced operations in December 2011. In Guangzhou, United Family Healthcare opened a clinic in 2008 and plans to complete the construction of the main hospital facility and start operations in 2013. United Family Healthcare also expects to expand the managed clinics in Pudong, Shanghai, to open a new affiliated clinic in Puxi, Shanghai and to offer additional services in its existing facilities.

The long-term expansion plans of United Family Healthcare include adding affiliated hospitals in affluent or densely populated cities such as Chengdu, as well as in markets including Beijing, Shanghai, Guangzhou and Tianjin. Its plans also include the continued expansion of services in existing facilities and the opening of additional affiliated satellite clinics and hospitals.

Jimin Cancer Hospital

We have been seeking opportunities through strategic investment in and operation of health services institutions. As a first step to enter the specialty healthcare services market, we established Jimin Hospital Management in July 2011, in which we hold a 70% equity interest. Jimin Hospital Management established an onsite team of specialists, which provides management and marketing support. In return for the provision of the aforesaid services, Jimin Hospital Management is entitled to receive a management fee, the amount of which is to be determined by the board of directors of Jimin Cancer Hospital. Such arrangement is in line with industry practice. We have appointed four directors in Jimin Hospital Management. In addition, we have also acquired a 70% equity interest in Jimin Cancer Hospital. For the year ended 31 December 2011, Jimin Cancer Hospital recorded revenue of RMB48.8 million and net profit of RMB8.9 million, and its facility utilization rate was 96.7%[(15)]. We are entitled to receive management fees of RMB3.9 million from Jimin Cancer Hospital for the services provided from August 2011 to December 2011.

Note:

(15) The utilization rate is calculated by the following formula: number of patients per year/((30 days per month/average number of days a patient stays in our hospital) x number of beds x 12 months) = 5,800/((30/12) x 200 x 12) = 96.7%. The number of patients per year and average number of days a patient stays in our hospital are assumptions we made based on operating statistics.

Jimin Cancer Hospital is located in Hefei, the provincial capital of Anhui Province. It was established in 2003 and had 200 beds as at 30 June 2012. It plans to expand to 700 beds by 2013. The total capital expenditure required to complete this expansion is expected to be RMB95.0 million. The expansion was funded by Jimin Cancer Hospital itself, which had paid RMB66.7 million for the project prior to its acquisition by us. We had been funding the expansion since the acquisition, and planned to complete the expansion using our own operational funds. The hospital focuses on the diagnosis and treatment of various types of cancer, including lung cancer, colon cancer and breast cancer. It has advanced medical technologies such as precise radiotherapy and tumor intervention therapy, and is collaborating with distinguished cancer research institutions such as McGill University and Montreal University in Canada.

The following is a description of the major terms of Jimin Cancer Hospital's cooperation agreements with some of these distinguished research institutions

- *McGill University*. The hospital has appointed a distinguished professor from the university to be the director of cancer research at the hospital. It will grant McGill University access to cancer patients, pathological samples, and its research facilities, while McGill University will help the hospital build a cancer research center and provide technical support on genetics, biochemistry, cell and molecular biology related to cancer research. The two parties will also engage in academic exchanges in medical and scientific research. All data, reagents, papers and intellectual property generated from the cooperation will be jointly written and owned by the two parties.

- *Montreal University*. The hospital has entered into an agreement with the research center of Montreal University Medical Center to collaborate generally in the fields of cancer treatment, tissue banking, target and drug discovery, clinical trial and immunotherapies.

Currently, Jimin Cancer Hospital is the only non-profit hospital in our healthcare services segment. Jimin Hospital Management had entered into an agreement with Jimin Cancer Hospital in order to benefit from its operation. Under the agreement, Jimin Hospital Management is the exclusive provider of management and consulting services to Jimin Cancer Hospital. These services include enterprise management consulting, administrative services, human resources services, medical equipment leasing management, technology licensing and technical consulting services. In return, Jimin Cancer Hospital pays a management services fee that amounts to 5% to 25% of the hospital's yearly operational income to Jimin Hospital Management. The board of directors of Jimin Hospital Management has the right to adjust the percentages based on the operational conditions of the hospital, and the hospital will also reimburse Jimin Hospital Management all expenses related to its provision of services. Our PRC legal adviser, Chen & Co Law Firm, is of the view that the terms of the agreement do not violate the current PRC laws.

Guangji Hospital

Since December 2011, we have also operated a general hospital, Guangji Hospital, in which we beneficially own a 55% equity interest. We have appointed four directors to Guangji Hospital's board, which has a total of seven directors. The accounts of Guangji Hospital have been consolidated into our Group's financial statements since December 2011. Guangji Hospital is located in Yueyang, Hunan Province. It was established in 2004 and had about 500 beds as at 30 June 2012.

During the Track Record Period and as at the Latest Practicable Date, we had not received any material complaints or claims of professional negligence against any of our hospitals. Our Directors are of the view that our staff has obtained the required professional qualification and licenses for their scope of services to be provided to patients.

Under the relevant regulations, a non-profit-making medical institution is a medical institution established to provide public social benefits and does not have profit-making as one of its objectives. Income from its operation can only be used for its own development, such as improving its operational conditions, acquiring new technologies, and providing new healthcare services. The basic healthcare services provided by a non-profit-making institution are subject to government price controls, though other healthcare services are not. Due to these regulations, the ability of non-profit-making medical institutions to distribute dividends is limited.

DIAGNOSTIC PRODUCTS AND MEDICAL DEVICES

Diagnostic Products

We engage in the research and development, manufacturing, and sales and marketing of diagnostic reagents and equipment. We are a major producer of biochemical diagnostic products and molecular diagnostic products in the PRC. As at 30 June 2012, we produced a total of 130 diagnostic products.

Products

Our products include various types of diagnostic reagents and devices in connection with biochemical diagnosis, immunologic diagnosis, molecular diagnosis and microbial diagnosis. These products are widely used in clinical chemistry, clinical immunology, molecular diagnosis clinical microbiology, and the technology of clinical diagnosis gene chip and other fields. Among these products, the gene chip technology of Yaneng Bioscience is one of the earlier in the PRC to be commercialized, and the sales of gene chips has grown rapidly in recent years, making it the fastest growing diagnostic product of our Group.

Our main diagnostic reagents and equipment and their applications are as shown in the following table:

Products	Applications
Biochemical diagnosis	These systems are used to determine the changes in biochemical indices for purposes of diagnosing common diseases. The major existing products include a liver function series, a kidney function series, a blood-fat series, a myocardial enzyme series, a pancreatitis series, an ion series, an immunoturbidimetric (latex-enhanced) series, an immunoturbidimetric analysis series, a blood-gas and electrolyte analyzer supporting series, and a fully automatic biochemical analyzer series.
Immunologic diagnosis	These systems are used for extensive purposes, including infectious disease, endocrine, tumor and drug detection and blood identification. The existing products include an ELISA series, HIV antibody detection (colloid gold) assays and ELISA reaction accelerometers.
Molecular diagnosis	These systems are used for hepatitis, sexual disease, infectious pulmonary disease, prepotency, genetic disease-causing gene and tumor detection. The major existing products include a hepatitis B virus (HBV) detection series, a tuberculosis (TB) detection series, a human papilloma virus (HPV) detection series and a sexual disease (CT/UU/NG) detection series.
Microbial diagnosis	These systems are used on microbe identification and drug sensitivity testing devices for microbe variety detection and drug sensitivity testing. They may be used to identify more than 2,000 varieties of bacteria and fungi.
Others	Ultramicroscopic diagnosis systems and series of biosafety cabinets.

We have provided diagnostic reagents and equipment to many PRC hospitals and other healthcare institutions, and have established a firm market position in the PRC.

Manufacturing

As at 30 June 2012, our diagnostic products segment employed more than 600 personnel. We have obtained all the relevant approvals and permits for our production facilities as well as the production and sales of our diagnostic reagents and equipment. These approvals and permits include the manufacturing permit and other required production approvals. We follow stringent and closely monitored quality assurance and safety control processes in the manufacturing of our diagnostic products. Our manufacturing of diagnostic products has passed the examinations for our quality management systems of extrinsic diagnostic reagents by the SFDA, and obtained ISO9001 certification and ISO13485 certification for quality management systems.

Production facilities and capacities

We manufacture diagnostic reagents and equipment mainly through our subsidiaries, Fosun Long March, Fosun Med-tech Development, Fosun Biolog Biotech and Yaneng Bioscience. In order to meet the growing demand for diagnostic products in the PRC market, we completed construction of a new facility in Shanghai, in December 2011. As at the Latest Practicable Date, four companies currently have annual production capacities of (i) 123.70 million units of biochemical and immunologic diagnostic reagents comprising 94 million units of biochemical diagnostic reagents and 29.70 million units of immunologic diagnostic reagents; (ii) 3.7 million units of BIOFOSUN microbe identification and drug sensitivity testing systems; (iii) equipment such as 22.40 million units of PCR microbial diagnosis reagent boxes and 4,690 sets of high power microscope. Our production facilities for diagnostic products are located in Shanghai and Shenzhen. For the years ended 31 December 2009, 2010 and 2011, the utilization rate of production facilities for diagnostic products was 86.2%, 90.8% and 86.8%, respectively. Due to the recent completion of our production capacity expansion, the utilization rate of production facilities for diagnostic products for the six months ended 30 June 2012 reached 48.2%. We expect such utilization rate will increase going forward.

Raw materials and suppliers

The principal raw materials used for our diagnostic reagents and equipment are nylon membrane, enzyme and nucleic acid. We source our raw materials from Independent Third Party suppliers by placing orders to purchase the materials from them based on our operational needs. We had over 180 suppliers for this segment each year during the Track Record Period. All of our major suppliers for this segment are Independent Third Parties engaging in the manufacturing, distribution or import of various materials that we use to manufacture diagnostic products. We have internal guidelines that set out our pricing of supplies and the suppliers' bidding processes, and we select suppliers based on their relevant qualifications and licenses, prices and quality of the supplies, time of delivery and after-sale services. We may return products to suppliers if their products have quality problems, passed the expiration dates or do not meet our specifications. Although we do not enter into long-term contracts with our suppliers, we have not experienced any supply shortages nor made any material return of supplies due to quality problems during the Track Record Period, and do not anticipate any difficulties obtaining the raw materials essential to our diagnostic product operations.

Distribution, sales and marketing

We primarily distribute our diagnostic reagents and equipment in China through an extensive nationwide network consisting of Independent Third Party wholesale distributors. This multi-level sales network comprises regional distributors and franchised distributors, covering 20 provinces, autonomous regions and municipalities in China. We also bundle the sales of diagnostic reagents and equipment to increase the market shares of reagents. Sales of certain diagnostic products are also subject to a statutory tender process similar to that for pharmaceutical products, but we only sold a few of such products during the Track Record Period to customers. During the Track Record Period, we terminated certain distributors for this segment due to their unsatisfactory performance.

The following table sets forth the changes in the number of our distributors for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2009	2010	2011	2012
As at the beginning of the period.	949	788	794	945
Addition of new distributors.	364	271	348	518
Termination of existing distributors..	(525)	(265)	(197)	(586)
Net increase (decrease) in distributors.	(161)	6	151	(68)
As at the end of the period.	788	794	945	877

Customers

The customers of our diagnostic products are third-party wholesale distributors, who then sell our products directly or indirectly through sub-distributors, to hospitals, disease control and prevention centers, and independent clinical laboratories in China.

Medical Devices and Consumables

We engage in the research and development, manufacturing, and sales and marketing of blood transfusion equipment and surgical consumables, as well as the distribution of imported high-end medical equipment. In December 2010, we acquired 51% equity interest in CML and the remaining 49% is held by Chindex. CML primarily engaged in the production and sales of medical devices and consumables and distributes high-end medical equipment. Through the operation of this joint venture, we have effectively integrated our businesses of producing and selling medical devices and consumables in the PRC and Chindex's business of distribution of high-end medical equipment. We intend to further develop our medical devices business by combining Chindex's and our product portfolios, nationwide customer networks and global suppliers networks and our thorough understanding of the local markets.

Products

Our medical devices and consumable products include blood transfusion equipment and consumables, surgical instrument consumables and dental consumables. The following table provides details of our medical devices and consumable products:

Product Category	Product/Brand	Description	Certification
Blood transfusion equipment and consumables	GT	three types of medical devices; and consumables for blood transfusion equipment	ISO9001
Surgical instrument consumables	Mei Yi (美翼)	Surgical blades	CE Certificate by TUV from Germany
	Ma Rui Ke (瑪瑞克)	Suture needlework	
Dental equipment and apparatus	BEGO	Steel skeleton, embedded materials	—

In addition, as at 30 June 2012, we are also the sole distributor of certain high-end imported medical equipment in the PRC, including the Intuitive Surgical's da Vinci Surgical System. Other than the distribution of the imported equipment, we also provide technical support and maintenance services to customers who have purchased these equipment, and charge fees according to the value of the medical equipment and the type of technical support and maintenance services provided.

Manufacturing

We have approximately 1,000 employees in our medical devices operations as at 30 June 2012. We have obtained all relevant approvals and permits for our production facilities for our medical devices and the requisite licenses or permits for the sale of our manufactured medical devices that authorize our manufactured pharmaceutical products to be sold nationwide in China. These approvals and permits primarily include the medical devices enterprise manufacturing permit, pharmaceutical enterprise manufacturing permit, medical devices registration certificate and other required production approvals. See "Regulatory Overview — Manufacturing and Distribution of Medical Devices". We follow stringent and closely monitored quality assurance and safety control processes in the manufacturing of our products. Our manufacturing of medical devices has passed the certifications of ISO9001.

Production facilities and capacity

We manufacture medical consumables mainly through our subsidiaries. Currently, we have two production facilities located in Shanghai and Jiangsu Province, with two production lines for the manufacturing of blood transfusion equipment and consumables and surgical instrument consumables.

As at 30 June 2012, we possessed 23 Registration Certificates for Medical Devices (醫療器械註冊證) for our medical devices operation. During the Track Record Period, our annual production capacity of surgical blades was 130 million units, the annual production capacity of suture kits was 55 million units and the annual production capacity of blood transfusion consumables was five million units.

Raw materials and suppliers

We source our raw materials from Independent Third Party suppliers by placing orders to purchase the materials from them based on our operational needs. Although we do not enter into long-term contracts with our suppliers, we have not experienced any supply shortages nor made any material return of supplies due to quality problems during the Track Record Period, and do not anticipate any difficulties obtaining the raw materials essential to the manufacturing of our medical consumables.

We source a majority of our principal raw materials from suppliers in the PRC, and partially from international markets, including Europe, the United States and Hong Kong. Our packaging materials are primarily procured from PRC suppliers. We had over 200 suppliers for this segment each year during the Track Record Period. All of our major suppliers for this segment are Independent Third Parties that engage in the manufacturing, distribution or import of various materials which we use to manufacture medical devices. Our internal guidelines set out the relevant criteria for selecting suppliers, which include relevant qualifications and licenses of the suppliers, prices and quality of the supplies, time of delivery and after-sale services. We may return products to suppliers if their products have quality

problems, passed the expiration dates or do not meet our specifications. We usually purchase our raw materials and supplies from various suppliers to enhance our bargaining power and to avoid over-reliance on a single supplier.

Our imported medical equipment are sourced from various international medical equipment manufacturers. We enter into PRC distribution agreements with such suppliers, which allow us to effectively control the amount of procurement.

Distribution, sales and marketing

We sell our medical consumable products in the PRC primarily through Independent Third Party distributors, who then resell our products to hospitals through their own sales teams (including delivery of products and collection of payments). Sales of certain medical devices are also subject to a statutory tender process similar to that for pharmaceutical products, but we only sold a few of such products during the Track Record Period to customers. Our sales and marketing teams focus on continuously interacting with industry experts and physicians to cultivate them as long-term users of our medical devices products. During the Track Record Period, we terminated certain distributors for this segment due to their unsatisfactory performances.

With respect to the distribution of imported medical products, we directly market our imported products to the hospitals, including hospital administrators and the doctors who are the end customers of the products. We also conduct marketing through the attendance of a variety of trade shows throughout China, advertisements in leading Chinese industrial, trade, and clinical journals, production of Chinese language product literature for dissemination to the potential customers, as well as methods such as direct mail and telemarketing campaigns. We also have a technical service department, which operates service centers in a number of provinces, autonomous regions and municipalities to support our distribution activities. We are responsible for the technical support of virtually all the medical equipment that we sell. This technical service department maintains spare parts inventory and employs factory-trained technicians in our service centers nationwide.

The following table sets forth the changes in the number of our distributors for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2009	2010	2011	2012
As at the beginning of the period.	534	576	602	614
Addition of new distributors.	47	111	105	14
Termination of existing distributors..	(5)	(85)	(93)	(12)
Net increase in distributors.	42	26	12	2
As at the end of the period.	576	602	614	616

Customers

Our direct customers in our medical devices segment consist primarily of third-party wholesale distributors. Our distributors then sell our products directly or indirectly through sub-distributors, to hospitals, blood centers and other healthcare institutions in China.

INVENTORY

We actively manage and maintain our inventories to ensure cost-efficiency, quality control and the timely distribution, sale and manufacturing of our products. Our senior management is actively involved in setting inventory standards, and is continually seeking ways to further improve our inventory control.

Pharmaceutical manufacturing

We maintain and carefully monitor our stocks of raw materials and finished products. We maintain a database of our inventory to monitor changes and inventory levels in a timely fashion so as to ensure a suitable level of raw material requirements and finished product stock. We generally keep the raw material inventories for our major products at a level of one to three times the average monthly demand for production, and the inventory of major finished medicines at a level of one to six times the average monthly sales volume.

Pharmaceutical distribution and retail

We manage our inventory to minimize inventory holding costs, ensure timely delivery of merchandise and maintain a variety of merchandise in our retail pharmacies. We establish an inventory management target every year by reviewing our performance for past years and by taking into consideration our data projections and market demographics. We perform monthly and ad hoc inventory counts in our retail pharmacies and distribution centers, as well as performing daily inventory counts in retail pharmacies for expensive merchandise. We monitor the shelf life of our pharmaceutical products by conducting a review six months prior to the expiration date of each pharmaceutical product in our retail pharmacies. We utilize the data compiled to generate a monthly inventory analysis report, which is used to assess our inventory control measures and costs. We require that our store managers follow up on any inventory discrepancies discovered during each inventory count and report such results to the relevant operating subsidiaries.

To this end, we have installed at each of our directly operated retail pharmacies and franchised pharmacies under For Me Pharmacy and Golden Elephant Pharmacy, a computer terminal that is connected to our centralized information management system via the Internet. The information system can generate daily sales reports at both individual store and headquarters levels, which enable us to quickly collect sales information, track and analyze inventory levels and sales trends and optimize retail store stock levels. We also use this system to facilitate our category management decisions, fine-tune retail product selection and determine pricing, shelf space allocation and store replenishment triggers.

Diagnostic products and medical devices

We maintain a database for our inventory of raw materials, packaging materials and finished products. We carefully monitor our inventory levels to ensure adequate levels of raw materials and finished products are maintained.

The primary inventory of our imported medical equipment is spare parts. Large medical equipment is normally directly delivered to the customers.

CUSTOMERS

For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, sales to our five largest customers accounted for approximately 9.6%, 12.0%, 9.7% and 11.9% of our total sales, respectively. In the same periods, sales to our single largest customer overall accounted for approximately 2.5%, 4.0%, 4.9% and 6.0% of our total revenue, respectively.

None of our Directors, Supervisors or their associates or any person who to the knowledge of our Directors owned 5% or more of our issued share capital as at the Latest Practicable Date had any interest in any of our five largest customers for the Track Record Period.

SUPPLIERS

For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, purchases from our five largest suppliers accounted for approximately 11.9%, 12.9%, 15.5% and 15.8% of our total cost of sales, respectively. Purchases from our single largest supplier accounted for approximately 3.5%, 4.0%, 6.3% and 4.5% of our total cost of sales in these periods. During the Track Record Period, purchases from the five largest suppliers for the pharmaceutical manufacturing segment generally accounted for 15% to 25% of the segmental cost of sales. During the same period, purchases from the five largest suppliers for the pharmaceutical distribution and retail segment generally accounted for 15% to 30% of the segmental cost of sales, while purchases from the five largest suppliers for the diagnostic products and medical devices segment accounted generally for 20% to 70% of the segmental cost of sales.

Two of our major suppliers, Chongqing Saili Junan Pharmaceutical Co., Ltd. ("Saili Junan") and Sinopharm, were also our major customers during the Track Record Period. Saili Junan primarily engages in the distribution, import and export of medicines, chemical ingredients and medical devices. Our subsidiary Yao Pharma procures certain chemical ingredients from Saili Junan to manufacture products such as Atomolan, some of which are then distributed to customers through Saili Junan. Similarly, we also procure a number of chemical and APIs from Sinopharm and distribute many of our pharmaceutical products such as the drugs manufactured by Yao Pharma, Wanbang Pharma and Guilin Pharma through Sinopharm.

To the knowledge of our Directors, none of our Directors, Supervisors or their associates or any person who owned 5% or more of our issued share capital as at the Latest Practicable Date had any interest in any of our five largest suppliers for the Track Record Period.

Price Controls

A substantial portion of the pharmaceutical products manufactured by us are included in the National Medical Insurance Drugs Catalog and are subject to retail price control imposed by the PRC government in the form of fixed prices or maximum retail prices. In addition, products included in the Provincial Medical Insurance Drugs Catalogs are also subject to governmental price control in the relevant province.

In the PRC, eligible participants in the governmental basic medical insurance program who purchased drugs listed in the National Medical Insurance Drugs Catalog and/or the Provincial Medical Insurance Drugs Catalogs are entitled to reimbursement from the social medical insurance fund. This reimbursement is up to the entire cost of medicines that are included in such catalogs, and for this reason, hospitals in China frequently order medicines included in the catalog for their patients. As a result, a pharmaceutical product is generally more attractive to hospitals and end customers if it is included into the National Medical Insurance Drug Catalog and/or the Provincial Medical Insurance Drug Catalogs, and it is critical for a pharmaceutical producer in China to have its products included in these catalogs. The hospital purchase prices and our selling prices to distributors of such pharmaceutical products are directly or indirectly affected by the retail price controls.

Our revenue and profitability may be materially and adversely affected by price controls. See "Risk Factors — Risks Relating to Our Businesses and Industries — Each of our business segment, including a substantial proportion of the pharmaceutical products manufactured and distributed by us, is subject to government price controls or other price restrictions in the PRC" from page 55 to page 56 and "Regulatory Overview — Price Controls" from page 129 to page 132 in this prospectus for additional information.

We expect the proportion of revenue contributed from such pharmaceutical products subject to price controls to remain relatively stable in the foreseeable future because we will continue to manufacture products that we expect to have high growth potential, and which may or may not be subject to price control. Pharmaceutical products that are not subject to price controls may have higher gross profit margins, but they may not be as popular among hospitals and end customers as similar or substitutable drugs that are subject to price controls because they are not subject to reimbursement by the social medical insurance fund.

Other than pharmaceutical products, the PRC government maintains a high level of involvement in the determination of prices of diagnostic products and medical devices, and public hospital and healthcare institutions in China are required to purchase high value medical equipment and other supplies at prices determined through a periodic tender process.

The following table illustrates the impact of price controls on each of our business segments:

	Current Impact	Description of Impact
Pharmaceutical Manufacturing	Yes	• Revenue from our pharmaceutical products subject to price controls under the National and Provincial Medical Insurance Drugs Catalogs accounted for 38.8%, 42.4%, 42.3% and 48.2% of our total revenue for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. During the Track Record Period and up to the Latest Practicable Date, the prices of our pharmaceutical products have been subject to the following government stipulated changes: • In March 2011, the NDRC lowered the maximum retail prices of certain pharmaceutical products, affecting 11 of our products, including three major products, Xin Xian An, Bang Tan and Xi Chang. Revenue from the sales of the three major products collectively accounted for 2.6%, 6.5%, 5.0% and 5.2% of our total revenue for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. • In August 2011, the NDRC lowered the maximum retail prices of certain pharmaceutical products, affecting five of our products, including one major product Wan Su Ping, which collectively accounted for 2.4%, 2.3%, 2.1% and 1.9% of our total revenue for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. • In March 2012, the NDRC lowered the maximum retail prices of certain pharmaceutical products, affecting one of our major products, Atomolan, which accounted for 7.8%, 8.7%, 7.5% and 7.9% of our total revenue for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively.

	Current Impact	Description of Impact
		• In September 2012, the NDRC again lowered the maximum retail prices of certain pharmaceutical products, affecting ten of our products, including three major products, Bang Ting, Su Ke Nuo and Yi Bao. Revenue from the sales of the three major products collectively accounted for 2.1%, 3.3%, 3.7% and 5.7% of our total revenue for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. • The above adjustments had limited impact on our revenue and gross profit margin because during the Track Record Period and up to the Latest Practicable Date for most of our products affected by the abovementioned NDRC price adjustments, the revised maximum retail prices and the implied maximum hospital purchase prices were still higher than are actual successful bid prices during the statutory tender process at the time.
Pharmaceutical Distribution and Retail	Yes	• Fosun Pharmaceutical may not sell drugs that are subject to price controls to third party customers at prices higher than the government stipulated maximum prices, and the profit margins of which may be relatively lower than those that are not subject to price controls. • Our retail pharmacies under the "Golden Elephant Pharmacy" and "For Me Pharmacy" brands may only sell drugs that are subject to price controls to end customers at prices that are lower than the government stipulated maximum prices.
Healthcare Services	Yes	• Our own hospitals may not procure and sell drugs, diagnostic products and medical devices under price control to end customers at prices that are higher than the maximum prices.
Diagnostic Products and Medical Devices	No	• The diagnostic products and medical devices that we currently manufacture are mainly diagnostic reagents and equipment, blood transfusion equipment and surgical consumables, which are not included in the National and Provincial Insurance Drugs Catalogs and therefore is not subject to price control. • Nevertheless, in case we produce other diagnostic products and medical devices that may be subject to price control, price control could affect our diagnostic products and medical devices segment as well.

We seek to further mitigate the impact of the price reductions through technological innovation, expansion of production to achieve economies of scale, adjustment of product portfolio, and research and development of new higher-end products that are not listed on the National and Provincial Medical Insurance Drugs Catalogs.

COMPETITION

The pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services and diagnostic products and medical devices industries are highly competitive. We compete with domestic and foreign competitors, which vary widely by region and size of operations.

Pharmaceutical manufacturing

The pharmaceutical market in China is highly competitive and is characterized by a number of established, large pharmaceutical companies, as well as a number of smaller emerging pharmaceutical companies. Our products compete with a number of similar products manufactured and marketed by large specialty pharmaceutical companies and generic manufacturers in China. The identities of our key competitors vary by product and, in certain cases, different competitors may have greater or lesser market shares by region in China. We compete primarily on the basis of brand recognition, product efficacy, safety, reliability, availability and price.

We believe our continued success will depend on our following capabilities: (i) the capability to develop innovative products and advanced technologies; (ii) the capability to apply technologies to all production lines; (iii) the capability to develop an extensive self-owned product portfolio; (iv) the capability to maintain a highly efficient operational model; (v) the capability to attract and retain talented technology development personnel; (vi) the capability to maintain high quality standards; (vii) the capability to obtain and maintain regulatory approvals; and (viii) the capability to effectively promote products.

Pharmaceutical distribution and retail

In Beijing and Shanghai, our retail operation competes with large retail pharmacy chains, as well as independent pharmacies, supermarket and convenience chains. We compete principally in terms of store location and convenience, merchandise selection, customer service and satisfaction, including practices such as offering customers the ability to pay by medical insurance card, private-label product offerings, prices and our brand name. We believe that the continued consolidation of the retail pharmacy market and continued new store openings by chain store operators will further increase the competitive pressure in this market. Although the geographical coverage of our retail pharmacies enables us to reduce the fluctuations in our results of operations as a result of the competitive conditions in individual markets, we believe that more new store openings in cities such as Shanghai and Beijing may gradually intensify competition. Local regulations in such targeted cities may prohibit the opening of new retail pharmacies within certain distances of an existing store, and where competitors have occupied many prime locations, we expect to face additional competition in terms of finding suitable new store locations if we expand in these cities.

Our pharmaceutical distribution operation operated by Fosun Pharmaceutical competes with regional pharmaceutical distributors primarily in Shanghai to the extent that the products are distributed to retail pharmacies other than those under For Me Pharmacy, healthcare institutions and other pharmaceutical distributors.

Healthcare services

Historically the PRC healthcare services sector had been dominated by the public healthcare system. The Chinese government had issued policies in recent years to encourage the private sector to enter into the healthcare services market, which we believe will create tremendous opportunities for this industry. Our healthcare services business primarily targets the premium and specialty healthcare markets. Our targeted customers in the premium healthcare market include foreign expatriates in the PRC and upper and middle class customers in the PRC. The main factors affecting competition include the types and quality of services, brands, geographic locations, facilities and healthcare specialists. In the specialty

healthcare market, we primarily compete in terms of the professional expertise of the healthcare service personnel, the technology and equipment of diagnosis and treatment, the range and quality of services and brands.

Diagnostic products and medical devices

The diagnostic products and medical devices market in which we compete is characterized by rapid changes resulting from technological advances and scientific discoveries. In addition, it is subject to changes in China's overall healthcare industry. Several of our competitors have significant financial, research and development and other resources and enjoy high brand name recognition in China. Our competitors dedicate, and we believe they will continue to dedicate, significant resources to promote their products aggressively.

QUALITY CONTROL

We maintain a highly stringent quality control system and devote a significant focus on quality control in our pharmaceutical, pharmaceutical distribution and retail, diagnostic products and medical devices operations. We have established a comprehensive quality control system that provides quality standards and operating procedures covering stages of the healthcare value chain, from research and development to manufacturing, distribution and retail. Our comprehensive quality control system is designed according to the GMP and GSP requirements and with reference to certain standard designs recommended by the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use.

Our quality control team is also responsible for implementing quality control procedures, conducting periodic quality control audits and quality risk assessment as well as formulating and implementing remedial quality control measures. Our senior management is also actively involved in setting quality control policies and managing internal and external quality performances to ensure that we are in compliance with all applicable regulations, standards and internal policies.

Pharmaceutical manufacturing

In our pharmaceutical manufacturing segment, we have established quality control systems in accordance with the relevant PRC laws and regulations. Our quality control measures cover all aspects of our pharmaceutical manufacturing operations including the design and construction of manufacturing plants and facilities, the installation of manufacturing equipment, maintenance of manufacturing equipment, procurement of raw materials and packaging materials, quality checks of raw materials, work-in-progress and finished products, monitoring adverse drug reactions and verification of documentation. We have more than 800 detailed quality control policies for this segment, and have at least one quality control policy for each product. A product may have two or more quality control policies if it has more than one specification. Each quality control policy is based on the manufacturing permit and the applicable GMP standards for that product. All of the stipulated procedures and methodologies are based on the GMP standards, ISO9001, the PRC Pharmacopoeia and other applicable domestic and international standards.

For the pharmaceutical products manufactured by our pharmaceutical manufacturing segment and sold in the PRC markets, we are only required to obtain, and we have obtained, GMP certifications in accordance with the standards set forth under the Law of the People's Republic of China on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》). For the pharmaceutical products manufactured by our pharmaceutical manufacturing segment and sold in the international markets, we

are required to obtain and we have obtained the GMP certifications required under the regulations and standards in such markets. We export certain finished products, APIs and intermediate products to overseas markets, including the U.S., Europe, and certain African countries. For the year ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, our revenue from exports of finished products, APIs and intermediate products accounted for 17.5%, 13.9%, 11.8% and 11.1%, respectively, of our total revenue. The latest version of the GMP standards of the PRC, which was issued by the SFDA in January 2011, tracks substantially the equivalent standards of the United States, the European and the WHO. Our Company understands that differences exist among these standards, some of which are set out below:

(1) The GMP standards of the European Union, the United States and the WHO require mandatory certification of computerized systems under certain specific standards. Such certification is recommended but not required under the PRC GMP standards. In practice, we also encourage, but do not strictly require, our subsidiaries which currently do not have product sales in the international markets to obtain such certification under the European Union and the United States GMP standards. Our subsidiaries currently with sales in international markets have obtained the certification under the European Union and the United States standards, and other subsidiaries have established or will upgrade their computerized systems generally in line with the relevant European Union and the United States GMP standards. We expect all of our subsidiaries to obtain such certification of computerized systems by the end of 2015.

(2) In terms of laboratory monitoring and control standards, the types of chemical substances used for sterilization process under the PRC GMP standards are different from those under the GMP standards of the European Union, the United States and the WHO, even though the methods of monitoring sterile conditions is similar among these standards. To the best knowledge of our Company, none of the chemical substances used for the sterilization process under the PRC GMP standards are banned for use under the GMP standards of the European Union, the United States and the WHO. In practice, we strictly adhere to the PRC GMP standards. For the drugs that we export overseas, we also refer to the GMP standards of the relevant international markets to make sure our products comply with those standards.

(3) In terms of product quality control, the GMP standards of the European Union and the United States grant greater authority to the manufacturers' quality control personnel, who can independently decide whether or not a product meets the GMP standards without the approval from the senior management of the manufacturer. In the PRC, such quality authorization personnel is authorized by the manufacturer's legal representative. We strictly follow the PRC GMP standards in this area.

The following table sets forth certain requirements under PRC GMP standards and how our operations comply with such standards:

Requirements under PRC GMP standards	Measures taken by our subsidiaries
Quality Management:	
Enterprises should establish quality objectives that meet the requirements of pharmaceutical product quality management standards. All drug registration requirements concerning safety, effectiveness and quality control shall be implemented systematically into the entire process of production, quality control, release, storage and shipping of the products to ensure that the product is qualified to be used for its intended purposes and meets the registration requirements.	Each of our member companies has established standard quality control objectives according to the GMP, such as ensuring the safety of drug use by patients, that the process of drug manufacturing meets the GMP standards, and that the drugs manufactured meet the registration requirements at all times. These quality objectives are set out in various quality control related documents, such as pharmaceutical technical guidelines, drug quality standards, quality assurance systems (such as annual product quality reviews, deviation processing procedures, change of control procedures, testing failure investigation procedures, risk management procedures, rectification and prevention management systems, product complaints and recall management systems, and product release procedures).
Quality control includes aspects such as responsible organizations, documentation systems, as well as sampling and inspection procedures to ensure the quality of materials or products meets the relevant requirements prior to release.	The quality control authorities of each member company have set up corresponding departments according to the GMP standards. Each member company has a quality inspection department and a quality assurance department. Each position established in such departments has clear delineation of responsibilities. Key positions are staffed with sufficient professional technical management personnel, and the quality control authorities in each member company are independent of the production departments and are able to independently perform their duties. Each member company has established comprehensive management systems and standardized procedures for sampling, monitoring and releasing raw materials, intermediate products and finished products. Specific quality standards have been established for each raw material, packaging material, intermediate product and finished product, and may not be released for use unless it has passed the quality test of the quality control authorities.
Organization and Personnel:	
Enterprises should establish independent quality management departments to perform the duties of quality assurance and quality control. The quality management department can be set up separately as quality assurance department and quality control department.	Each member company has established a comprehensive organizational structure according to the GMP standards, including separate departments of production, quality, procurement, logistics, engineering, research and development and sales. The quality department usually includes a quality assurance department and a quality control department. The two quality departments of each member company are completely independent of the production departments.

Requirements under PRC GMP standards	Measures taken by our subsidiaries
Plants and Facilities:	
The siting, design, layout, construction, renovation and maintenance plants must comply with the requirements of pharmaceutical production. Measures shall be taken to be able to avoid, to the best extent, contamination, cross-contamination, mix-ups and errors, and the environment needs to be convenient to clean, operate and maintain.	We have implemented internal guidelines and procedures to ensure all member companies in the pharmaceutical manufacturing segment meet the siting, design, layout, construction, renovation and maintenance of PRC GMP standards for their plants at all times. For example, under our existing guidelines, there must not be any polluting factories such as those in the chemical, metallurgical, or mining industries within a one kilometer radius of our production facilities. In addition, our production facilities must maintain a suitable distance away from schools, hospitals and residential areas. As a result, we normally locate our production facilities in industrial development zones with relatively good environmental conditions. In addition, under our guidelines, we only engage designing institutes with pharmaceutical expertise to help design our production facilities. These member companies have undertaken the plant upgrading projects or the construction of new facilities with the view to meeting the new GMP requirements and we expect all our plants to meet the new GMP requirements by the end of December 2015 The key of GMP management is to avoid contamination and cross-contamination in the pharmaceutical manufacturing process, and to prevent the occurrence of mix-ups and errors. Each of our pharmaceutical manufacturing subsidiary is investing heavily in upgrading its facilities, especially in aseptic pharmaceutical production facilities. We plan to complete such upgrading and make all sterile pharmaceutical production facilities comply with new GMP requirements by the end of 2013. Production facilities for other forms of dosage drugs should be upgraded to meet the new GMP requirements by the end of December 2015.
Equipments:	
Documents and records regarding equipment procurement, installation and confirmation shall be created and kept.	Each member company has been managing the entire life cycle of each piece of production equipment according to such requirements. Management systems are established to manage all phases such as equipment user needs, tendering, design validation, procurement, factory acceptance, site acceptance, installation, tooling, installation confirmation, operation confirmation, performance confirmation, usage, preventive maintenance, repair and retirement. The activities of each phase are documented, recorded and archived.
Materials and Products:	
Handling procedures of materials and products shall be established to ensure that the materials and products are properly received, stored, distributed and delivered in order to prevent contamination, cross-contamination, mix-ups and errors.	To prevent materials and products from contamination and cross-contamination, mix-ups and errors, each member company has established management systems and operational procedures to ensure that the materials and products are properly received, stored, distributed and delivered. Corresponding records documenting activities carried out in each stage of manufacturing have been kept.

Requirements under PRC GMP standards	Measures taken by our subsidiaries
Confirmation and Verification:	
Before adopting new production prescriptions or techniques, the enterprises shall verify their applicability in regular production. The production technique adopted shall be able to manufacture products that meet the intended purposes and registration requirements if the required raw materials and equipment are used.	The guidelines of production techniques of each member company have been registered or re-registered with SFDA; the production technique guidelines of each product include raw materials standards, the model of equipment used, product standards, the prescription and the production process; each member company manufactures products in strict compliance with the production technique details and each production technique has to pass at least three rounds of strict technical verification to ensure consistency and stability of the product quality and the production process; and each member company has established a verification management system, which requires that any new production technique or any change to existing production techniques must be strictly verified.
Documents Management:	
Each batch of products shall have a corresponding batch production record that allows one to trace the product batch's production history and quality-related information.	Each member company has established a template for the production process of each product batch, recording the details of the key information in each production step to ensure the traceability of the production process for each product, such as date, product name, batch number, the operating person, the verifying person, production procedures, serial number of the production equipment used, batch numbers of the raw materials and specifications, key technical indicators, the quality indicators of the intermediate products in various phases and quality indicators of the finished products.
Manufacturing Management:	
After completion of each stage of production of each batch of drugs, the production site must be cleared up by the production operator, and the clearing record shall be filled out.	Each member company has established cleanup management systems and product cleaning operating procedures to require clearing up and cleaning of the production site after the completion of each stage of production of each batch of drugs, and that clearing up and cleaning records are filled out after the cleaning works are completed. Personnel from the quality departments should inspect the sites to check the effect of cleaning, and the sites can only be put back to operation after the personnel believe the cleaning fulfills the relevant requirements.

Product recalls

In August and September 2012, Yao Pharma, one of our subsidiaries was notified by the Chongqing branch of SFDA that certain hospitals in Anhui and Jiangsu provinces and Guangxi Zhuang Autonomous Region reported a number of occurrences of side effects in patients after being administered with Shaduolika from two different batches. Shaduolika, one of our major products(16), is used to treat viral pneumonia and viral upper respiratory infections. After receiving injections of Shaduolika, a total of 32 patients experienced shivering, allergy-like reactions, fever and other mild symptoms of side effects. As disclosed in Shaduolika's product information leaflet, which has been approved by the SFDA, shivering, allergy-like reactions, fever and other mild symptoms are listed as side effects associated with the use of this medication.

Upon being notified of these occurrences, Yao Pharma immediately activated voluntary recall procedures for the two batches of Shaduolika products involved in the occurrences of side effects as well as 14 other batches which were manufactured around the same time as the abovementioned two batches. The production cost for the recalled Shaduolika products amounted to approximately RMB1.4 million. We had also voluntarily suspended the production of Shaduolika and are currently conducting our own investigation into the production of Shaduolika, including the examination of our procurement, manufacturing, quality control and product evaluation procedures for Shaduolika. Based on our investigations, we will ensure that any production problems that may have caused a quality issue with our Shaduolika products are identified and fully rectified and that the safety of this product is thoroughly tested and verified prior to resuming the production and sales of Shaduolika. Additionally, quality of pharmaceutical products may also be affected by various other factors after production including transportation, warehousing, storage and usage etc. Also see "Risk Factors — Risks Relating to our Businesses and Industries — We are subject to risks associated with quality issues that may arise on our pharmaceutical products during post production processes" on page 70 in this prospectus.

On 25 September 2012, we received an administrative penalty decision issued by the Chongqing branch of SFDA. The decision indicates that a batch of Shaduolika product that were reported to have caused cases of side effect in Jiangsu province contains excessive level of bacterial endotoxins and therefore failed to meet the applicable quality requirements, according to the examination conducted by the Jiangsu Changzhou branch of SFDA. Pursuant to the administrative penalty decision, the government authorities disgorged our revenue of RMB9,282 from sales of the defective batch of Shaduolika products, confiscated all of our recalled Shaduolika products from this defective batch, and imposed a fine of RMB280,730.90, which was equivalent to the value of the defective batch of Shaduolika products, on Yao Pharma. As at the Latest Practicable Date, the defective batch of Shaduolika had been successfully recalled.

Note:

(16) We use a set of criteria in selecting our major products, and such criteria include sales contribution, market potential and brand reputation.

We understand that the relevant government authorities have conducted random inspections and sample tests of other batches of Shaduolika. Other than the defective batch of Shaduolika products, as at the Latest Practicable Date, we had not received any other formal notifications from the relevant government authorities on any quality issue from their random inspections and sample tests of other batches of Shaduolika. To the best knowledge of our Company, as at the Latest Practicable Date, the 32 patients that experienced side effects arising from receiving the injections of Shaduolika have either fully recovered or their symptoms from the side effects have been alleviated, and no product liability claims had been brought against us for damages in connection with any occurrence of side effects of Shaduolika. In addition, as at the Latest Practicable Date, we had not received any notification from any of the hospitals that reported the occurrences of side effects of Shaduolika that product liability claims were brought against any of these hospitals. Our PRC legal adviser, Chen & Co Law Firm, confirms that the statutory period of limitation for legal claims against pharmaceutical manufacturers or hospitals from patients is generally two years from the moment patients discover or should have discovered that their rights have been infringed upon. However, in particular, if patients file claims for compensation of personal injuries or initiate litigations against sales of substandard goods without prior notice, the statutory period of limitation is one year from the moment patients discover or should have discovered that their rights have been infringed upon. We do not maintain product liability insurance for Shaduolika. The foregoing occurrences and the related negative publicity may adversely affect our business reputation and the sales of our Shaduolika or other pharmaceutical products. See "Risk Factors — We may incur losses and our reputation may be adversely affected by potential product liabilities relating to certain products that we manufactured". Considering the revenue contribution of our Shaduolika products which accounted for approximately 2.9%, 2.7%, 2.1% and 2.9% of our external revenue of the pharmaceutical manufacturing segment for the three years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 respectively, we do not expect that the foregoing occurrences will have a material adverse impact on our financial results. Additionally, after taking into consideration the costs of the product recall, inspection fees, transportation expenses, consultation fees, contingent liabilities for potential litigations, potential compensation payments and other expenses, our Directors expect to incur a maximum of RMB3.3 million in expenses.

We will continue to strictly adhere to the PRC GMP standards in our manufacturing processes, and adopt high standards in procurement, production and quality control to control the quality of our products to ensure they can be safely used by our customers. Pursuant to this occurrence, we are currently conducting our own investigation into the production of Shaduolika, including the examination of our procurement, manufacturing, quality control and product evaluation procedures for Shaduolika. Furthermore, we are taking additional steps to evaluate the ongoing compliance of our suppliers, distributors and logistics service providers for Shaduolika and are working closely with them to ensure that they continue to strictly adhere to the relevant standards to ensure the safety of our Shaduolika products.

The abovementioned occurrences of side effects for Shaduolika were isolated events. Other than our voluntary recall of certain batches of and the suspension of production of Shaduolika products as disclosed in this prospectus, and other than for reasons arising out of the ordinary course of business, such as relocation of certain production facilities and short-term insufficient market demand, during the Track Record Period and up to the Latest Practicable Date, we had not experienced any material safety and quality problems with our products reported by our customers or relevant government authorities or any material product liability or legal claims due to the quality of our pharmaceutical products, nor did we close or suspend production at our production facilities or any other pharmaceutical operation. None

of such suspension or closure of our production facilities arising out of the ordinary course of business had any material adverse impact on our operational or financial results, and we were not subject to any material adverse findings in any investigation or audit by any government authority. Additionally, to the best knowledge of our Directors, no government authorities are currently investigating our other pharmaceutical products due to quality related issues.

In relation to the occurrences of side effects involving our Shaduolika products, we are in the process of implementing the following measures for our pharmaceutical manufacturing segment to ensure continued strict adherence to product quality standards as required by the GMP certification process as well as other relevant regulations:

(1) Accelerate our Company's ongoing plans to implement internal quality requirements beyond what is required by current regulations. For example, we are accelerating the introduction of higher soluble rate requirements for certain of our products, which in turn enhances the absorption rate of these products by the human body, and we are in the process of setting lower maximum residue limits for certain products and hence, further reducing the impurity levels of these products.

(2) Further review and improve our Company's quality control systems, including introducing an updated guideline for employees in charge of quality control, by increasing the amount of relevant experience these employees are required to have before being appointed, as well as the provision of greater authorities and autonomy to these employees to ensure that they can carry out their duties more effectively. We intend to complete this review and implement the relevant improvement procedures by December 2012.

(3) Further strengthening our Company's monitoring and reporting system, including improving the Company's product monitoring system for post-production processes and improvements to the Company's adverse reaction reporting system. For example, the Company is in the process of creating a list of products that may be susceptible to cases of side effects and will work closely with distributors to tighten the monitoring system for these products in the post production processes to ensure stricter monitoring and more stringent quality controls of these products. We intend to complete the implementation of such improvements by December 2013.

(4) Further reviewing our testing procedures to enhance the efficiency of these procedures, and implement improvement measures that include expanding the sample test size of our products during production quality control processes beyond the minimum requirements under GMP standards. We intend to complete this review and implement the necessary improvements by December 2013.

In January 2011, the PRC government issued a new set of GMP standards, under which a pharmaceutical manufacturer is required to complete the upgrade of productions lines for sterile drugs by the end of 2013 and the upgrade of other productions lines is required to be completed by the end of 2015. We are in the process of upgrading our existing production facilities to comply with these standards. We are also in the process of revising our quality management policies and guidelines, providing training to our staff and conducting various verification and testing to ensure compliance with the new standards. We expect to complete the upgrade of our production lines before the relevant deadlines.

According to the Administrative Measures on Pharmaceutical Products Recall issued by the SFDA in December 2007, pharmaceutical manufacturers are required to report their product recalls to the provincial branches of the SFDA and inform their distributors and other customers to cease using the products involved and to return them to the manufacturers. The reporting and notice time requirements range from 24 hours to 72 hours depending on the seriousness of the potential harm to the users. If the potential harm is serious and permanent, the reporting and notice must be completed within 24 hours. If the potential harm is temporary or reversible, the reporting and notice must be completed in 48 hours. If there is no potential harm but the product still needs to be recalled for other reasons, the reporting and notice can be completed in 72 hours. We have established a product recall system according to such requirements. Save as disclosed above, to the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, none of our products had been subject to any recall due to product quality issues.

Excessive levels of chromium, an industrial gelatin, have been detected in capsules (the "Chromium Tainted Capsules") manufactured by some pharmaceutical manufacturing enterprises in China in April 2012. Chromium Tainted Capsules may cause cancer and pose risks to human health. The PRC government has suspended the sales and consumption of a number of capsules which contain excessive levels of chromium. In light of the incident, we have conducted internal investigations and confirm that (i) none of our subsidiaries is involved in the production of empty capsules; (ii) none of the capsules manufactures identified in the incident is on the list of suppliers of our Group; and (iii) none of the members of our Group were ordered by the SFDA to remove products from shelves. If any of the capsules manufactured by us are detected to be Chromium Tainted Capsules, we will activate our product recall system by reporting the product and the related circumstances to the provincial branch of the SFDA and informing our distributors and other customers within 24 hours to cease using the products involved and to return them to us.

So far as our Directors are aware, based on the best of their knowledge, during the Track Record Period and up to the Latest Practicable Date, we had not used Chromium Tainted Capsules in our products, which is in violation of applicable PRC laws and regulations and none of our suppliers has been involved in the production of the Chromium Tainted Capsules. Under our quality control procedures, all empty capsules are required to be examined in accordance with the guidelines set out in the PRC Pharmacopoeia, including the testing of the level of chromium in two ways: (i) internal testing, and (ii) external testing conducted by an independent drug testing agency. To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, none of the capsules manufactured by us had been subject to any adverse findings in any testing investigation or audit by any government authority, in any internal testing conducted by us, or in any external testing conducted by independent third parties. See "Risk Factors — Risks Relating to our Businesses and Industries — We rely on a stable supply of quality raw materials to manufacture our pharmaceutical products" on page 61 in this prospectus.

Pharmaceutical distribution and retail

In our retail pharmacy operations, our quality control starts with procurement. We conduct spot quality inspections of each batch of products that we receive. We promptly replace our suppliers if they fail to pass our quality inspections. Since we maintain an extensive network of suppliers and standby suppliers, we believe that we will not incur a material interruption to our business and operations if we choose to discontinue our cooperation with certain suppliers due to their unsatisfactory quality control record.

We place strong emphasis on the quality of the services rendered by our employees at all levels, including in-store pharmacists and store staff who directly interact with our customers. We regularly dispatch quality control inspectors to our retail pharmacies to monitor the service quality of our staff. We take into account the feedback received during these inspections when determining employee promotions or bonuses.

We adopt and implement quality control measures for our pharmaceutical distribution and retail by strictly following the Law of the People's Republic of China on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》) and the State GSP standards under The Administrative Measures for Certification of Good Supply Practices (《藥品經營質量管理規範認證管理辦法》). All of our subsidiaries engaging in the wholesale and retail of pharmaceutical products in the PRC markets have obtained GSP certifications in accordance with the standards set forth under the applicable PRC laws. Our quality control team for our pharmaceutical retail operation comprises a chief quality control officer and designated quality control persons in the business departments, including procurement, sales and warehousing. Our quality control measures for the segment sets out our quality control goals and objectives, review of the quality control systems, allocation of responsibility among different departments, organizations and persons, information management, quality testing, management of accidents, customer inquiries and complaints, as well as staff education and training. All members of our quality control team for the segment possess the relevant industry expertise as stipulated under the GSP standards, which are established to regulate companies engaging in the wholesale and retail businesses in the PRC to ensure the quality of pharmaceutical products distributed in the PRC. Many of them have obtained the relevant qualifications as practicing pharmacists or pharmaceutical engineers. We have established a product recall system according to the requirements under the PRC GSP standards. Under this system, once a product defect is detected or reported by the SFDA or its local branches or by the news media, by other pharmaceutical manufacturing companies, by the customers or by ourselves, and the defect is confirmed, we will recall the defective product in accordance with our product recall system. For any products categorized as under special supervision of the SFDA, we will report to the local branches of the SFDA for their further handling. For other products, we will either return the defective products to our suppliers if such defects are due to their quality control failures, or ask a qualified third party to destroy them if they are our responsibility. We promote and sell pharmaceutical products in overseas markets through third-party distributors. Therefore, in accordance with relevant local laws and regulations, we are not required to obtain supply-related certifications in these markets.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material claim, litigation and arbitration or adverse findings in investigation or audit by government authorities with respect to product liability, personal injury, wrongful death or negligent advice by our in-store pharmacists for our retail operations, did not close or suspend operation of our pharmaceutical distribution and retail businesses due to non-compliance with GSP standards or any other problems, and did not make any product recall that had a material impact on us.

Diagnostics products and medical devices

In our in-vitro diagnostic products operations, we have established quality control systems in accordance with relevant national or industry guidelines. We have over 100 detailed policies and guidelines covering each major aspect of quality control, including the overall system, quality of raw materials, monitoring of the production process, storage and warehousing, and product sampling and testing. These policies and guidelines set out the specific procedures we take to ensure the quality of products, such as examining the level of bacteria in the production environment, the purity of water to be used in

production and the proper storage of hazardous materials. All of the stipulated procedures and methodologies are based on ISO9001 as well as the applicable domestic and international standards. Our quality control team for the segment primarily comprises professional doctors, pharmacists and engineers who have obtained master and/or bachelor degrees from renowned colleges and universities in the PRC and/or abroad. We constantly inspect the raw materials and supplies used in our manufacturing process, and inspect and test internally manufactured products. We can replace any supplier that fails to pass such inspections.

In our medical devices operations, we have established quality control systems in accordance with the relevant PRC laws and regulations, and have obtained ISO9001 certification and CE Certificate by TUV from Germany for the design, development, production and distribution of all the products we currently offer. In addition, our quality control team is also responsible for ensuring that we are in compliance with all applicable regulations, standards and internal policies. Our senior management is actively involved in setting quality policies and managing internal and external quality performance. We have more than 20 detailed policies and guidelines setting out quality control in each major stage of production, including but not limited to procurement, production monitoring, record-keeping, sampling and testing and sanitization procedures. All of the stipulated procedures and methodologies are based on ISO9001 as well as the applicable domestic and international standards. Our quality control team for the segment primarily comprises professional doctors, pharmacists and engineers who have obtained master and/or bachelor degrees from renowned colleges and universities in the PRC and/or abroad.

During the Track Record Period and as at the Latest Practicable Date, our diagnostic products and medical devices had not been subject to any material complaints, claims, litigation or investigation due to product liability or otherwise, and none of our major products had been subject to any recall that had a material impact on us.

ACQUISITIONS AND STRATEGIC INVESTMENTS

During the Track Record Period, we expanded rapidly through organic growth, acquisitions and strategic investments. We acquired and consolidated Fuji Medical in 2009, Hexin Pharma, Yaneng Bioscience, Moluodan Pharma, Golden Elephant Pharmacy, Shenyang Hongqi Pharma and CML in 2010 and Aohong Pharma, Dalian Aleph, Jimin Cancer Hospital and Guangji Hospital in 2011. Meanwhile, as part of our strategy to streamline our pharmaceutical distribution business, we disposed of our equity interests in Zhejiang Fosun to Sinopharm in June 2011. In order to focus on the healthcare industry, we disposed of our equity interests in Science & Technology Imp. & Exp. to an Independent Third Party in November 2011.

Our strategic investments refer to our holding of minority interests in a number of companies, which include Sinopharm. While we generally prefer to acquire a majority stake in target companies with an aim of integrating the acquired companies into our own business operations, we will also consider acquiring a minority stake in target companies when circumstances do not permit the acquisition of a majority interest. Nonetheless, we have in the past invested in companies in other industries that we considered had sound financial performance and/or attractive valuations.

There are a number of investment criteria we take into consideration in general, including but not limited to: (i) the investment target is in a promising industry with favorable fundamentals under the prevailing macroeconomic environment, (ii) the investment target is able to demonstrate a sound operating and financial track record or prove its growth potential, and (iii) the valuation of the

investment target is attractive compared with the industry average or meets the minimum internal rate of return as stipulated by our investment management committee. During the Track Record Period, we endeavored to dispose of equity investments unrelated to our core businesses. Going forward, we plan to continue to focus on investments in the pharmaceutical, healthcare services and other healthcare related industries. As a shift in our business strategies, we no longer intend to make any significant equity investment in companies of unrelated industries and instead focus solely on acquisitions in the healthcare and related industries. For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, we recorded a share of profits of associates of RMB436.8 million, RMB546.3 million, RMB633.2 million and RMB378.7 million, respectively, which accounted for 17.5%, 63.3%, 54.3% and 54.0% of our net profits attributable to owners of the parent, respectively. As part of our business strategy, we actively seek to accelerate our growth through acquisitions and strategic investments. We plan to continue to acquire equity interests in companies in the pharmaceutical industry with excellent operational track records. Due to these reasons, we may continue to derive revenue from acquired businesses from time to time in the future.

Acquisitions and investments expose us to a number of risks. See "Risk Factors — Risks Relating to Our Businesses and Industries — We may not be able to successfully identify acquisition targets or complete acquisitions or integrate the acquired businesses" from page 62 to page 63 in this prospectus for further information.

DISCONTINUED OPERATION

During the Track Record Period, our Group's subsidiary, Science & Technology Imp. & Exp., was engaged in the business of export of bedding products. We disposed of our equity interests in Science & Technology Imp. & Exp. to an Independent Third Party in November 2011 in order to focus on the healthcare industry.

OCCUPATIONAL HEALTH AND SAFETY

The PRC government imposes a number of regulatory requirements on pharmaceutical companies with regard to employee safety. See "Regulatory Overview — Occupational Health and Safety" for a discussion of these requirements. We regard occupational health and safety as an important social responsibility and have implemented safety measures at our production facilities to ensure compliance with applicable regulatory requirements. We have established a safety supervision department at each of our operating business entities. These safety supervision departments conduct periodic inspections of operating facilities and processes to ensure that our pharmaceutical manufacturing, pharmaceutical distribution and retail, diagnostic products and medical devices operations are in compliance with existing laws and regulations.

We have adopted emergency spray equipment and volume controls to minimize the risk of injury at our distribution centers, production facilities, warehouses and laboratories. Some of the products and chemicals we distribute or manufacture are inherently dangerous, and we have adopted strict policies in accordance with relevant national standards when handling such products. We have installed a safety monitoring system in each of our distribution centers, production facilities, warehouses and laboratories to regularly supervise our employees' activities.

We have also adopted a safe production and accident prevention policy, which provides comprehensive guidelines on occupational health and safety. Among other things, the policy: (i) identifies the personnel and department responsible for accident prevention; (ii) details each employee's responsibility to prevent

accidents and promote safety awareness; and (iii) requires safety performance reports on a regular basis. Our safety supervision departments conduct regular training sessions for employees on accident prevention and management.

However, some of our business operations involve certain risks and hazards that are inherent in such activities and may not be completely eliminated by safety measures. These risks and hazards could result in damage to, or destruction of, properties or facilities, personal injury, environmental damage, business interruption and possible legal liability. See "Risk Factors — Risks Relating to Our Businesses and Industries — Our operations are subject to hazards and nature disasters that may affect our operations and may not be fully covered by our insurance policies".

ENVIRONMENTAL MATTERS

Our pharmaceutical manufacturing, pharmaceutical distribution and retail, diagnostic products and medical devices operations are primarily governed by general environmental protection laws and related regulations. We must comply with relevant provisions governing environmental protection and appraising of environmental impact as well as national and provincial standards of environmental quality established by various government authorities.

Our pharmaceutical manufacturing operations are governed by national, provincial and local environmental laws and regulations. The relevant laws and regulations applicable to pharmaceutical manufacturers in China include provisions governing air emissions, water discharge, prevention and treatment of sewage and exhaust fumes and the management and disposal of hazardous substances and waste. Manufacturers are also required to conduct an environmental impact assessment before engaging in new construction projects to ensure that the production processes meet the required environmental standards to treat wastes before the wastes are discharged. The primary forms of waste generated from our pharmaceutical manufacturing processes are air emissions, waste water, alcohol and organic waste, which are generated in compliance with all applicable environmental rules and regulations in all material aspects. PRC national and local environmental protection laws and regulations impose fees for the discharge of pollutants and, in cases where the pollutants have not been properly treated, fines for such discharge. The relevant environmental laws and regulations empower certain governmental authorities to close any enterprise that violates such laws and regulations through the discharge of pollutants.

During the Track Record Period, we carried out the relevant environmental impact assessments before commencing construction of our production facilities in all material aspects and have obtained all the material permits and environmental approvals for our production facilities. To ensure compliance with relevant laws and regulations on pollution control, we have established wastewater treatment and waste management facilities at our pharmaceuticals site to meet the requirements of the Emission Standards of Water Pollutants for Pharmaceutical Manufacturers, which became effective on 1 August 2008. In addition, our production facilities comply with all relevant environmental and manufacturing standards required by the GMP certification system. For the three years ended 31 December 2008, 2009 and 2010, our total capital expenditure incurred for compliance with PRC environmental protection laws and regulations was approximately RMB24.7 million. Our annual cost of compliance with environmental laws and regulations in 2011 was approximately RMB9.6 million.

To ensure our manufacturing enterprises are in line with the requirements and standards of the regulations of environmental protection, we have established an Environmental, Safety and Quality Management Committee. The Committee directly reports to the president of our Group and is composed

of a manufacture management department and functional departments which act as our functional institution to implement the management on environmental protection. We have formulated a Reporting and Investigation System for Environmental Protection Condition, under which, the person in charge of environmental protection in each manufacturing enterprise is required to submit a statement of environmental protection condition to our headquarters quarterly. We have also formulated a Spot Check System for Environmental Protection Management, which is adopted as an important supplementary means for safety management to the quality of the drugs. According to the results from Spot Check System for environmental protection to each manufacturing enterprise, each manufacturing enterprise can strictly follow the requirements of environmental protection to manufacture.

We believe we are currently in compliance with applicable national, provincial and municipal environmental laws and regulations in all material respects and we have obtained all the relevant government approvals in relation to our operations in all material aspects. As at the Latest Practicable Date, we had not been the subject of any environmental complaint or administrative penalties with respect to environmental violations, which would have a material impact on our business. In this regard, our PRC legal adviser, Chen & Co. Law Firm, have confirmed that, during the Track Record Period, we complied with all applicable environmental laws and regulations in all material respects.

Our compliance with existing environmental laws and regulations has not had a material adverse effect on our financial condition and results of operations, and our management does not believe it will have such an impact in the future. We are not aware of any pending litigation or significant financial obligations arising from our current or past environmental practices that are likely to have a material adverse effect on our financial position. However, we cannot predict the impact that unforeseeable environmental contingencies or new or amended laws or regulations may have on us or our production facilities. In this regard, as PRC environmental compliance requirements continue to evolve, we may be required to make significant expenditures in order to comply with environmental laws and regulations that may be adopted or imposed in the future. While we are not able to predict our annual cost of compliance with respect to the environmental laws and regulations that may be adopted or imposed in the future, we will endeavor to comply with all such applicable laws and regulations. For further information on the environmental laws and regulations governing our operations, see "Regulatory Overview — Environmental Protection".

Our plans to address potential environmental laws, rules and regulations that may be adopted in the future comprise the following: (i) designating our legal and industrial departments to oversee and maintain our compliance with environmental protection policies; (ii) providing annual training to our staff regarding compliance with PRC environmental laws, rules and regulations, and more frequent training, as required upon adoption of new environmental laws, rules and regulations, and encouraging our staff to also attend environmental protection training sessions organized by the local environmental protection authorities; (iii) conducting weekly on-site inspections of our facilities; (iv) immediately reporting to our general manager any violation of PRC environmental protection laws, rules and regulations; and (v) immediately reporting to and coordinating.

INSURANCE

We maintain property insurance policies covering our inventories, equipment and facilities in accordance with customary industry practice. We maintain product liability insurance for certain of our products as we believe having such insurance is a good and prudent corporate practice. Nonetheless, we do not maintain product liability insurance for all of our products or insurance covering potential liability

relating to the release of hazardous substances in the course of production as we are not required to maintain such insurance under PRC laws, and we believe maintaining such insurance is not a common practice for our industries in China. For the years ended 31 December 2009, 2010 and 2011, we maintained product liability insurance for all products manufactured or sold by our subsidiaries, Shine Star, Huaiyin Medical, Carelife Pharma and Guilin Pharma. The product liability insurance covers personal injuries, diseases, death and loss of property resulting from the use, consumption or operation of the products of these subsidiaries globally. Revenue generated by the pharmaceutical products covered by product liability insurance for the same periods totaled 42.3%, 36.2% and 33.3%, respectively, of the external revenue of our pharmaceutical manufacturing segment. The total premium paid was RMB0.3 million, RMB0.3 million and RMB0.3 million, respectively, for the years ended 31 December 2009, 2010 and 2011.

We significantly expanded the scope of product liability insurance coverage in 2012. Our product liability insurance policy in 2012 is now more product-oriented, and it now covers the vast majority of our major products, including (i) reduced glutathione of Yao Pharma; (ii) animal insulin series, meglumine adenosine cyclophosphate for injection and heparin sodium series of Wanbang Pharma; (iii) recombinant human erythropoietin and pemetrexed disodium of Chemo Biopharma; (iv) Mo Luo Dan of Moluodan Pharma; (v) glimepiride, clindamycin hydrochloride, clindamycin phosphate, granisetron hydrochloride, mitoxantrone hydrochloride, clindamycin palmitate hydrochloride, lysine acetylsalicylate and epinastine hydrochloride of Carelife Pharma; (vi) artesunate series of Guilin Pharma; (vii) cefmetazole sodium of Hexin Pharma; (viii) flu vaccine of Dalian Aleph; (ix) amino acid series of Shine Star; and (x) all products of Huaiyin Medical. Revenue generated by our pharmaceutical products covered by product liability insurance for the six months ended 30 June 2012 totaled 51.7% of the revenue of our pharmaceutical manufacturing segment for the period. The total premium paid was RMB0.4 million for the year ending 31 December 2012. Our criteria in selecting products to be covered by product liability insurance includes factors such as whether the products are exported overseas, brand reputation, financial contribution and safety profile. We plan to further expand the scope of product liability insurance coverage in the future. Given the overall scope of insurance coverage described above, our Directors are of the view that the insurance coverage of our Company is in line with industry norm. See "Risk Factors — Risks Relating to our Businesses and Industries — We may incur losses resulting from product liability claims or product recalls" from page 70 to page 71 in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, there was no incident involving release of hazardous materials that have a material impact on our Company. Further, we do not maintain business interruption insurance or key-employee insurance for our Directors as we believe it is not the normal practice for our industries in China to maintain such insurance. We carry occupational injury, medical, pension, maternity and unemployment insurance for our employees, in compliance with applicable regulations in all material aspects, and other types of insurance, which we consider to be adequate.

INTELLECTUAL PROPERTY

We recognize the importance of intellectual property rights to our business and are committed to their development and protection. We rely on a combination of patents, trademarks and trade secrets as well as employee and third-party confidentiality agreements to safeguard our intellectual property. Details of the intellectual property rights that are material to our business are set out in the paragraph headed "Further information about our business — Intellectual Property Rights" in Appendix VIII to this prospectus.

We own and have applied for patents to protect the technologies, inventions and improvements we believe are significant to our business. As at 30 June 2012, we held a total of 220 patents in China, of which 106 are invention patents, 35 are utility models and 79 are design patents. As at 30 June 2012, we had 120 patent applications filed in China and pending the approval of the competent patent regulatory authority. As at 30 June 2012, the remaining protection periods for our patents range from one to 18 years. Generally, a patent holder enjoys the exclusive right to exclude others from using, licensing and otherwise exploiting the patent in the country that issued the relevant patent. However, there is no assurance our patents will not be challenged, which could be costly to defend and could divert our management from their normal responsibilities.

We also rely on trademarks to protect our non-patented products. As at 30 June 2012, we maintained 643 trademark registrations in China, and own a number of trademarks recognized as Well-known Trademarks, including 復星 (Fosun), 萬邦 (Wanbang) and 萬蘇平 (Wan Su Ping). Under applicable PRC law, we generally have the exclusive right to use a trademark for products and services for which such trademark has been registered with the Trademark Office. Trademark registration in the PRC is valid for 10 years, starting from the day the registration is approved. We have also applied for the registration of two trademarks in Hong Kong. If we believe a third party has infringed upon the exclusive right of our registered trademark, we may, through appropriate administrative and civil procedures, institute proceedings to request an injunction from the relevant authority or resolution of the infringement through consultation. The relevant authority could also impose fines, or confiscate or destroy the infringing products or equipment used to manufacture the infringing products. Our Directors, to their best knowledge, were not aware of any past incident of infringement of our intellectual property or counterfeiting of our products by any third party that have a material impact on our Company during the Track Record Period and as at the Latest Practicable Date.

We regularly submit patent applications for products and technologies that we have developed in order to actively protect our intellectual property rights. We also possess unregistered trade secrets, technologies, know-how, processes and other intellectual property rights. Some elements of our pharmaceutical composition, formulation and delivery, as well as manufacturing methods or processes, involve unpatented, proprietary technology, processes, know-how or data. With respect to such proprietary know-how that is not patentable and processes for which patents are difficult to enforce, we rely on trade secret protection in order to safeguard our interests.

In addition to protecting our own intellectual property, our success also depends on our ability to minimize the risk that any of our products or operations infringes on the intellectual property rights of others. In each of our business segments, we follow a procedure under which our internal trademark team will conduct a trademark clearance search before filing an application for the registration of a trademark. Similarly, we follow a procedure under which our internal patent team will conduct a patent clearance search for each product at the beginning of the product development process, and product development is only approved if the conclusion is that the proposed product would not infringe any third-party intellectual property rights covered in our searches. We also follow procedures to ensure that we are not engaged in the sales of counterfeit pharmaceuticals. Our quality control department is responsible for checking the completeness of the certification and documentation provided by our suppliers before purchasing pharmaceutical products, and we will report to our senior management as well as the relevant local authorities if we discover any counterfeit pharmaceuticals. We believe the risk of infringing third-party intellectual property can be effectively reduced by our vigorous adherence to these procedures. To date, we have not been sued on the basis of and have not undergone arbitration in

respect of, nor have we received any notification from third parties claiming any infringement of intellectual property or sales of counterfeit pharmaceuticals. Further, to date, we have not been the subject of any adverse finding in an investigation or audit by any governmental authorities in respect of any infringement of intellectual property of third parties or sales of counterfeit pharmaceuticals. However, despite our internal control procedures, the risk of infringing on third-party intellectual property cannot be eliminated entirely. See "Risk Factors — Risks Relating to Our Businesses and Industries — We may face intellectual property infringement claims initiated by third parties" on page 73 and "Risk Factors — Risks Relating to Our Businesses and Industries — The existence of counterfeit pharmaceutical products in the PRC pharmaceutical market may damage our brand and reputation and have a material adverse effect on our business, financial condition, results of operations and prospects" on page 74 in this prospectus.

PROPERTIES

Owned properties

Buildings and units

As at 31 July 2012, we owned 395 buildings and units in the PRC, with an aggregate gross floor area of 543,612.23 square meters. The carrying value of the property interests of our Company is below 15% of the total assets of our Company. We have obtained the relevant title certificates for 326 buildings and units with an aggregate gross floor area of 501,454.43 square meters, among which:

- 320 buildings and units with an aggregate gross floor area of 500,552.36 square meters have transfer type land use rights and building ownership certificates;

- Six buildings and units with an aggregate gross floor area of 902.07 square meters are built on land with allocation type land use rights, which we have obtained the relevant approvals to possess, use, generate income, lease, pledge and, subject to the approval from competent government authorities, to transfer or otherwise dispose of them along with the land use rights of parcels of land thereon. However, if we intend to transfer the properties, we are required to complete land transfer procedures with the relevant land administration authority and pay to such authority a land grant fee or land premium in accordance with the relevant regulations; if we lease the properties, we are required to pay to the authority a part of the rent that is equal to the proceeds arising from the allotted land; if we pledge the properties, we are required to pay to the authority an amount equal to land grant fee from the proceeds generating from the properties auction after the property is foreclosed.

We have not obtained the relevant building ownership certificates or transfer type land use rights certificates for 69 other buildings and units with an aggregate gross floor area of 42,157.80 square meters, representing 6.72% of the aggregate gross floor area we owned and occupied as at 31 July 2012. There is no legal impediment for 56 of these buildings and units to obtain the relevant land use right or building ownership certificate upon completion of the proper procedures, and we expect to obtain some of these certificates before the end of 2012. For the remaining 13 properties, we are unable to obtain relevant certificates due to reasons such as disputed historical errors on the old certificates with third parties and third parties' failure to perform their obligations, which resulted in our non-compliance. Of these 69 defective properties, 25 buildings and units with an aggregate gross floor area of 23,425.92 square meters, which represents 3.73% of the aggregate gross floor area we owned and occupied as at 31 July 2012, are used for production purposes. The remaining defective properties are used for

administrative, warehousing and other ancillary purposes. Given the purposes and relatively small percentage of defective properties, and that our Company is in the process of curing these defects by applying for the relevant certificates, our Directors are of the view that these defective properties are not crucial to our Company. Likewise, our Directors are not aware of any safety concern for the buildings without construction permits as the properties are still regularly used and frequently inspected by our staff and employees.

Our PRC counsel has advised that according to the PRC Land Administration Law (《中華人民共和國土地管理法》) and the Regulations on the Implementation of the PRC Land Administration Law (《中華人民共和國土地管理法實施條例》), for lands that we occupy without obtaining necessary approvals from the government, we may be required to return the land to its previous owner, demolish and remove buildings constructed on the land, restore the land to its original condition, or turn over the buildings to the government, and we may be fined an amount up to RMB30 per square meter. For properties without programming rights, we may be fined an amount of up to 10% of the consideration paid for the relevant construction and we may be required to demolish and remove buildings constructed, according to the PRC City and Village Programming Law (《中華人民共和國城鄉規劃法》). Programming rights (建設工程規劃許可證) refer to the right to construct buildings in accordance with the government's rural and urban plans under the PRC Urban and Rural Planning Law (《中華人民共和國城鄉規劃法》). For properties without construction permits, we may be fined an amount of up to 2% of the consideration paid under the relevant construction contracts, according to the PRC Construction Law (《中華人民共和國建築法》) and the Regulations on Quality Management of Construction Projects (《建設工程質量管理條例》). The maximum potential liability for our property non-compliance is no more than RMB1.91 million. None of our production plants are affected by any of the property defects and therefore the non-compliance has no impact on our production capacity. The construction cost for the buildings that may be required to be relocated or demolished as at 31 July 2012 is RMB12.58 million. We have already relocated approximately 19,954.32 square meters of defective properties to alternative locations. For the remaining defective properties, the expected costs of relocation if we are required to do so is no more than RMB0.3 million. We have taken actions or will take actions to relocate some of the affected properties to alternative locations, and find suitable alternative properties for the remaining affected properties and confirm there will be no major problems if we are required to relocate them. Our business, financial condition and results of operations may be affected due to the relocation costs incurred, the time involved, the loss of expected revenue and profits and the construction costs for replacement buildings. See "Risk Factors — Risks Relating to Our Businesses and Industries — Our right to occupy and use some of our land and buildings is subject to legal uncertainties" on page 77 in this prospectus for more details.

Buildings under construction

As at 31 July 2012, we had 44 buildings, with an aggregate planned gross floor area of approximately 331,062.94 square meters currently under construction. We have obtained the land use right certificate for the land occupied and the relevant construction approvals and permits for those buildings. According to our PRC legal adviser, Chen & Co. Law Firm, there is no legal impediment in obtaining building ownership certificates upon the completion of the construction and all inspection proceedings of these buildings.

Vacant land

As at 31 July 2012, we occupied five parcels of vacant land with a total site area of 110,107.39 square meters. They are planned to be used for warehousing, staff housing and production purposes. We have obtained transfer type land use rights certificates for those parcels of land with a total site area of 110,107.39 square meters.

Leased properties

As at 31 July 2012, we also leased from third parties 174 buildings and units, with an aggregate gross floor area of approximately 83,803.92 square meters, in the PRC. The lessors have provided the building ownership certificates or confirmed filing of lease registrations with competent local authorities for 161 building and units with an aggregate gross floor area of approximately 71,443.36 square meters. For the remaining 13 buildings and units with an aggregate gross floor area of 12,360.56 square meters, the lessors have not provided the relevant title ownership certificates or documents evidencing that the relevant lessors have requisite titles or rights to lease the properties to us. We leased 41 properties buildings and units with an aggregate gross floor area of 43,342.86 square meters to third parties as at 31 July 2012.

A lessor's failure to duly obtain title to the property it has leased to us may affect the usage right of these lease properties, we may encounter difficulties in continuing to lease and use the properties. As at the Latest Practicable Date, our business operations have not been disrupted due to our lessors' lack of relevant title ownership certificates or lease right certificates or documents or the lessors' registration default or failure to register the lease in relation to the relevant lease agreements. In addition, the lessors of six properties with an aggregate gross floor area of 493.50 square meters have issued confirmation letters by which they undertake to indemnify any loss suffered by us that may result from such deficiency of title. Our Directors therefore do not expect any of these defects in title relating to our leased property would materially and adversely affect our business, and if necessary, can be replaced by comparable premises without a material adverse effect on our business, results of operations and financial condition.

Material Property Analysis

According to the investigation of Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, the proportion of carrying amount of all the properties held by our Group is small as compared to the total assets of our Group. Moreover, none of each property contributes a significant portion of revenue to our Group. Jones Lang LaSalle Corporate Appraisal and Advisory Limited also has not found any encumbrances, liens, pledges, mortgages against the property or use of the property that may impact the operations of our Group. Jones Lang LaSalle Corporate Appraisal and Advisory Limited is of the view that there is no material property held by our Group.

The table below shows a summary of the property interests rented and occupied by our Group which are not covered in "Appendix IV — Property Valuation".

Business segment	Brief description of properties	Gross floor area/ leasable area	Usage	Terms of tenure (year of leasehold expiry)	Average effective rent
Pharmaceutical manufacturing segment	15 leased properties in the PRC	24,886.77 sq.m.	Production, office, storage, residential and ancillary	Expiry dates between 9 November 2012 and 31 July 2020	Average daily rent of approximately RMB0.58 per sq.m.
	2 leased properties in the United States	666.19 sq.m.	Office and lab for research and development	Expiry dates on 31 August 2013 and 31 May 2014	Average daily rent of approximately RMB1.58 per sq.m.
	1 leased property in Ghana	400 sq.m.	Office and residential	Expiry date on 16 May 2014	Average daily rent of approximately RMB0.79 per sq.m.
	1 leased property in Ivory Coast	90 sq.m.	Office	Expiry date on 10 August 2015	Average daily rent of approximately RMB3.52 per sq.m.
Diagnostic products and medical devices segment	14 leased properties in the PRC	12,711.1 sq.m.	Production, office and storage	Expiry dates between 31 July 2012 and 29 February 2016	Average daily rent of approximately RMB2.0 per sq.m.
	1 leased property in Hong Kong	198.06 sq.m.	Office	Expiry date on 8 February 2015	Average daily rent of approximately RMB5.36 per sq.m.
Pharmaceutical distribution and retail segment	137 leased properties in the PRC	39,205.64 sq.m.	Retail and storage	Expiry dates between 31 December 2011 and 31 August 2025	Average daily rent of approximately RMB1.89 per sq.m. (exclusive of profit sharing part)
Others	8 leased properties in the PRC	7,000.41 sq.m.	Office	Expiry dates between 9 October 2012 and 30 November 2014	Average daily rent of approximately RMB3.55 per sq.m.

As at the Latest Practicable Date, among the above leased properties, the lease agreements of 13 properties are expired. As confirmed by our Company, these properties are still occupied and used by our Group. The relevant lease renewals are under processing.

Property Valuation

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, valued the capital value of our real property interests attributable to our Company at approximately RMB2,129 million as at 31 July 2012. The text of the letter and the valuation certificates issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in connection with its valuations are set out in "Appendix IV — Property Valuation" to this prospectus.

INTERNAL CONTROL

As a public company listed on the Shanghai Stock Exchange, in order to fulfill the internal control requirements imposed by CSRC, Shanghai Stock Exchange and other government authorities, we have established internal control systems such as organizational framework, policies and procedures that are designed to monitor and control potential risks areas relevant to our business operations. Such policies and procedures include, but are not limited to, anti-fraud policy which became effective in 2006 and other required policies in compliance with all the relevant regulations. Our Company has formulated the *Provisional Regulations of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. Relating to the Prohibition of Commercial Briberies (上海復星醫藥(集團)股份有限公司關於禁止商業賄賂暫行規定)*

in 2006, and established the *Action Plan of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. for Anti-commercial Briberies (上海復星醫藥(集團)股份有限公司反商業賄賂行動方案)*, and has issued the *Notice Relating to Legal Aspect of Strengthening Enterprises in the Work of Anti-commercial Briberies (關於法務條線加強企業反商業賄賂工作的通知)* to all of our subsidiaries in November 2011, with a view to continuously improve our internal control measures. Our anti-bribery management committee is responsible for the overall supervision and coordination of our anti-bribery activities. The committee is chaired by our chief executive officer and its members include senior officers in each of our business segments. Under the anti-bribery management committee, we have an anti-bribery task force, which is responsible for the daily execution of anti-bribery related works. The anti-bribery task force is led by the head of the legal department and its members include the heads of our finance department, internal auditing department and brand and public relationship department. The anti-bribery task force reviews internal bribery-related allegations and reports, and conducts investigations and/or undertakes rectification actions accordingly. In addition, we have provided and will continue to provide anti-corruption compliance training periodically to our employees and distributors to enhance their compliance with applicable laws and regulations. To prevent our distributors from engaging in corruption, bribery, or other improper conduct, we require our distributors to undertake that they will comply with all applicable laws and regulations in the distribution agreements, and we also plan to ask our distributors to enter into separate anti-bribery agreements with us and/or sign undertakings of integrity by the first half of 2013. Each of our business segments has designated at least one officer responsible for enforcing the anti-corruption rules. Such officer shall report to its immediate parent company upon discovery of any corruption case or misconduct and report to the regulatory authority where appropriate.

To enhance the internal control of our Group, our Company has engaged an independent internal control consultant to review the internal control of our Company and our subsidiaries. The internal control consultant was of the view that no significant deficiency of internal control was identified during the period of evaluation. The internal control consultant has provided recommendations for all findings, which our Company has adopted or has undertaken to adopt to remedy the issues identified in the findings. For example, at the suggestion of the internal control consultant, our Company formulated the Anti-fraud Regulations and Reporting System of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (復星醫藥集團反舞弊舉報制度) and published that internally to our subsidiaries in September 2011.

During the Track Record Period and up to the Latest Practicable Date, our Directors, to their best knowledge, were not aware of any past incidents involving our employees or distributors engaging in corruption or other improper conducts that had a material impact on our Company, and believe that we were in compliance in all material respects with the laws and regulations disclosed under the "Regulatory Overview" section starting on page 121 of this prospectus. Our Company will also continue to implement and enforce the proper internal control procedures to ensure ongoing compliance with all applicable laws and regulations, including the prevention of our employees or affiliates engaging in any corruption, bribery, health fraud and abuse or improper conduct and other incidents of non-compliance.

PERMITS, LICENSES AND APPROVALS

For each of our business segments, we are required to obtain certain permits, licenses and approvals. During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite permits, licenses and approvals for our business operations. The following is a description of the validity periods of the significant approvals:

Pharmaceutical Manufacturing

Pharmaceutical Manufacturing Permit

Our pharmaceutical manufacturing permits are valid for five years and may be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority.

Good Manufacturing Practices

Our GMP certificates are generally valid for five years. The certificates may be renewed at least six months prior to its expiration.

Approval and Registration of Pharmaceutical Products

Our registration certificate of medicines are valid for five years. The certificates should be renewed within six months prior to expiration.

Pharmaceutical Distribution

Pharmaceutical Operation Permit

Our pharmaceutical operation permits are valid for five years. We need to apply for an extension of the permit six months prior to its expiration, and extension will be granted only after a re-examination of the permit holder by the authority which issued the permit.

Good Supply Practices

Our GSP certificates are valid for five years and may be extended three months' prior to its expiration upon a re-examination by the relevant authority.

Manufacturing and Distribution of Medical Devices

Medical Devices Manufacturing Permit

Our medical device manufacturing enterprise licenses are valid for five years. Re-inspection is required for the renewal of the license.

Registration of Medical Devices Manufacturing

Our registration certificates of medical devices are valid for four years, which must be renewed within six months prior to expiration. The registration certificate can be invalidated if the production has been terminated for more than two consecutive years.

Medical Device Operation Permit

Our medical device operation permits are valid for five years and is renewable upon expiration.

Online Pharmaceutical Operation Permit

Our qualification certificate for online pharmaceutical operation is valid for five years and may be renewed by filing for an extension at least six months prior to its expiration date and undergoing a reexamination by the relevant authority. Our qualification certificate for delivering public available drug information services over the internet is valid for five years and may be renewed by filing for an extension at least six months prior to its expiration date and undergoing a reexamination by the relevant authority.

See the section headed "Regulatory Overview" section starting on page 121 for further information on permits, licenses and approvals applicable to our operations.

LEGAL AND REGULATORY MATTERS

During the Track Record Period and as at the Latest Practicable Date, we were not a party to any actual or pending litigation, legal dispute, claim or administrative proceedings of material importance to which our Company or any of its subsidiaries is a party, and we are not aware of any threatened material litigation, legal dispute, claim or administrative proceedings against our Company or any of our subsidiaries. We may from time to time become a party to various litigations, legal disputes, claims or administrative proceedings arising in the ordinary course of our business. In reviewing each of these litigations, legal disputes, claims or administrative proceedings, our Directors take into consideration various factors, including but not limited to opinions and advice from our professional legal and/or other advisers and specific facts and circumstances of each case, in forming a view of whether such case will be of material importance to our Company. We have not disclosed litigations, legal disputes, claims or administrative proceedings arising in the ordinary course of our business that are not considered of material importance in this prospectus. When forming a view of whether a particular litigation, legal dispute, claim or administrative proceeding will be of material importance to our Company, our Directors take into consideration various factors, including but not limited to opinions and advice from our professional legal and/or other advisers and specific facts and circumstances of each case. Opinions and advice from our professional legal and/or other advisers on a particular litigation, legal dispute, claim or administrative proceeding may include views on whether a particular litigation, legal dispute, claim or administrative proceeding has any legal basis.

During the Track Record Period and as at the Latest Practicable Date, there were no material personal injury, death or product liability claims that were brought against us for damages in connection with our business operations.

Our subsidiaries, Phoenix Jiangshan and Baotou Jinxiang, did not open social insurance accounts for their employees as required by the PRC laws and regulations. According to our PRC legal adviser, Chen & Co. Law Firm, the maximum amount of possible fines to be imposed on our Group for the non-compliance is three times the amount of the outstanding social insurance premiums. Phoenix Jiangshan is now in the process of applying for opening social insurance accounts for its employees. Upon the completion of application processes, Phoenix Jiangshan will make the social insurance contributions for its employees in compliance with the relevant PRC laws and regulations. Baotou Jinxiang is in the process of liquidation. Our subsidiaries Phoenix Jiangshan, Baotou Jinxiang and Pengkang Pharma did not pay the social insurance premiums for their employees and Wanbang Fulin did not pay the maternity insurance, which is a part of the social insurance required by the PRC laws and regulations, during the Track Record Period. The total amount of outstanding social insurance premiums during the Track Record Period was RMB318,000. According to our PRC legal adviser, Chen & Co. Law Firm, we could

be ordered to pay such premiums due within a specified period of time and imposed a late payment fine at the rate of 0.05% per day from the date of delinquency, and if we still fail to make the payment during the specified period of time, the maximum amount of possible fines to be imposed on us for the non-compliance is three times the amount of the outstanding social insurance premiums. The maximum penalty we face for the non-compliance during the Track Record Period is RMB954,000. Pengkang Pharma and Wanbang Fulin had started to pay the relevant social insurance premiums for its employees as required by the PRC laws and regulations since July 2011 and January 2012, respectively. As Phoenix Jiangshan, Baotou Jinxiang, Pengkang Pharma and Wanbang Fulin have few employees and the outstanding social insurance premiums are limited, we believe that the impact of the non-compliance limited. Moreover, we believe that even if any member of our Group is required to pay the outstanding amount of social insurance premiums and that fines are imposed against us for the non-compliance, our business and operating results will not be adversely impacted in any material respect.

Our subsidiaries, Phoenix Jiangshan, Jimin Cancer Hospital and Baotou Jinxiang, did not open housing fund accounts for its employees as required by the PRC laws and regulations. According to our PRC legal adviser, Chen & Co. Law Firm, the maximum amount of possible fines to be imposed on Phoenix Jiangshan for the non-compliance is RMB0.05 million. Phoenix Jiangshan and Jimin Cancer Hospital are now in the process of applying for opening housing fund accounts for its employees. Upon the completion of application processes, Phoenix Jiangshan and Jimin Cancer Hospital will make the housing fund contributions for its employees in compliance with the relevant PRC laws and regulations. Baotou Jinxiang is in the process of liquidation. Our subsidiaries, Wanbang Fulin, Phoenix Jiangshan, Yaneng Bioscience, Aohong Pharma, Pengkang Pharma, Qidong Jinxiang, Baotou Jinxiang and Jimin Cancer Hospital, did not make housing fund contributions for their employees as required by the PRC laws and regulations during the Track Record Period or prior to their acquisitions by us. The total amount of outstanding housing fund contribution during the Track Record Period was approximately RMB1,954,500. According to our PRC legal advisers, Chen & Co. Law Firm, we could be ordered to make such contributions. Other than making the contributions, we do not face any other fine or penalty as a result of the non-compliance according to the Regulations for Housing Fund Administration. Aohong Pharma, Yaneng Bioscience, Pengkang Pharma, Wanbang Fulin and Qidong Jinxiang started to pay the housing funds for their employees as required by the PRC laws and regulations since July 2009, December 2010, July 2011, January 2012 and April 2012, respectively.

We acquired Yaneng Bioscience in September 2010, Aohong Pharma in September 2011 and Jimin Cancer Hospital in December 2011. We have the right to ask the transferors to indemnify us for all amounts payable in respect of the outstanding payments and for all fines, penalties, damages and liabilities which are or may become payable by us as a result of the non-compliance prior to the acquisitions as mentioned above. In light of the above and given the few number of employees in Pengkang Pharma, Wanbang Fulin, Baotou Jinxiang, Qidong Jinxiang and Phoenix Jiangshan, we believe that the impact of the non-compliance is limited. Moreover, we believe that even if any member of our Group is required to make the outstanding housing fund contributions and that fines are imposed against us for the non-compliance, our business and operating results will not be adversely impacted in any material respect.