The Global Offering involves certain risks. You should carefully consider all of the information in this prospectus, including, but not limited to, the risks and uncertainties described in the following risk factors when considering making an investment in our Shares being offered in the Global Offering. Our operations involve certain risks, many of which are beyond our control. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands, our business is mainly operated in the PRC and we are governed by a legal and regulatory environment that may differ from that which prevails in other countries and jurisdictions. Our business, financial condition and results of operation could be materially and adversely affected by any of the risks and uncertainties described below. The trading price of our Shares may decline due to any of the risks and uncertainties and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We are currently dependent on the sales of our uremic clearance granule and gadopentetate dimeglumine injection

We are currently dependent on the sales of our uremic clearance granule and gadopentetate dimeglumine injection. During the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, sales of uremic clearance granule represented approximately 76.5%, 77.4%, 75.9% and 74.9% of our turnover, respectively, and sales of gadopentetate dimeglumine injection represented approximately 14.3%, 13.3%, 14.3% and 17.7% of our turnover, respectively. Sales of these two products, in aggregate, represented approximately 90.8%, 90.7%, 90.2% and 92.6% of our turnover, respectively, for the same periods.

We expect that the sales of our uremic clearance granule and gadopentetate dimeglumine injection will continue to comprise a substantial portion of our turnover in the near future. Our business will therefore remain sensitive to the sales volume and pricing of our uremic clearance granule and gadopentetate dimeglumine injection. Sales volume and pricing of our uremic clearance granule and gadopentetate dimeglumine injection could be materially and adversely affected in the event that other pharmaceutical manufacturers produce similar products or products having comparable or better efficacy, or produce products which may be used as direct or indirect substitutes for these products, and such products are launched in the PRC market at prices comparable to, or lower than, our prices. Sales volume and pricing of our uremic clearance granule and gadopentetate dimeglumine injection could also be impacted by government regulations. Please refer to the paragraph headed "Products whose sales accounted for a substantial portion of our turnover are subject to price controls and we do not have full discretion over the pricing of such products" in this section for more details. If we are unable to maintain our current sales volume and pricing of our uremic clearance granule and gadopentetate dimeglumine injection, our business, financial condition and results of operation may be materially and adversely affected.

There is no assurance that our products will continue to be, or new products developed by us will be, listed in the National List of Essential Medicines or the National Medical Insurance Medicines Catalogue or recognised as a national Chinese medicine protection type by the CFDA

In the PRC, patients purchasing pharmaceutical products that are listed in the National List of Essential Medicines and the National Medical Insurance Medicines Catalogue are entitled to full or partial reimbursement of their purchase costs from the social medical fund. Consequently, pharmaceutical products that are included in the National Medical Insurance Medicines Catalogue and the National List of Essential Medicines are generally more competitive in terms of pricing than products which are not included or listed.

The National List of Essential Medicines and the National Medical Insurance Medicines Catalogue are subject to review by the relevant governmental authorities from time to time based on various factors, including treatment requirements, frequency of use, efficacy and price. Among 11 of our current pharmaceutical products, two, including our uremic clearance granule, were listed in the National List of Essential Medicines and six, including our uremic clearance granule and gadopentetate dimeglumine injection, were listed in the National Medical Insurance Medicine Catalogue as of the Latest Practicable Date.

As advised by our PRC Legal Advisers, Chinese medicines can only be recognised as class two national Chinese medicine protection type by the CFDA if they fulfill certain stringent criteria, including having remarkable and positive therapeutic effects. During the protection period, no other person is allowed to manufacture such Chinese medicines unless: (i) the relevant medicine is in shortage; and (ii) the manufacture of such medicine has been approved by the relevant government authorities, subject to payment of a licensing fee to the enterprise who has obtained the relevant certificate of the relevant protected Chinese medicine. Our uremic clearance granule has been recognised as a class two national Chinese medicine protection type by the CFDA from December 2000 to December 2014.

There is no assurance that our existing products that are currently admitted in the National List of Essential Medicines or the National Medical Insurance Medicines Catalogue or recognised as a national Chinese medicine protection type by the CFDA will continue to be listed, included in the catalogue or recognised. The removal of our products, in particular, our uremic clearance granule, from the list or the catalogue, or the non-recognition, may significantly reduce the sales of such products. In addition, in relation to the products listed in the National List of Essential Medicines or the National List of Medical Insurance Medicines Catalogue, there is uncertainty regarding the insurance coverage and reimbursement of newly approved pharmaceutical products, and the commercial success of our new products is therefore also substantially dependent on whether reimbursement is available to patients. Any non-inclusion of our new products in the National List of Essential Medicines or the National Medical Insurance Medicines Catalogue or any non-recognition of national Chinese medicine protection type by the CFDA may have a material adverse effect on our business, financial condition and results of operation.

We may not always succeed in winning bids or secure the selection of our products by the bid evaluation committee as alternative medicines to supply our products to non-profit-making hospitals and other non-profit-making medical institutions in the PRC

According to the Notice on Issuing Certain Regulations on the Trial Implementation of Centralised Procurement of Pharmaceutical Products by Medical Organizations (關於印發醫療機構藥品集中招標採購試點工作若干規定的通知) and the Notice on Further Improvement on the Implementation of Centralised Procurement of Pharmaceutical Products by Medical Organisations (關於進一步做好醫療機構藥品集中招標採購工作的通知), except for those stipulated otherwise, all procurement of pharmaceutical products by non-profit-making hospitals and other non-profit-making medical institutions established by the PRC government at the county level or higher has to be conducted through a collective statutory tender process that involves bidding by pharmaceutical manufacturers of relevant products. We participate in the collective statutory tender process conducted by various local governments or their designated institution on a regular basis. The selection by the bid evaluation committee is conducted on the basis of several factors, including bid price, product quality, curative effectiveness, and the pharmaceutical manufacturer's reputation and business scale. In some cases, the bid evaluation committee may also select certain pharmaceutical manufacturers to supply alternative medicines with unique curative effects based on suggestions of pharmaceutical practitioners and experts and clinical medical experts even if these pharmaceutical manufacturers failed to win in the collective statutory tender process to

supply these medicines. Please also refer to the section headed "BUSINESS – MARKETING AND DISTRIBUTION – Our marketing activities" in this prospectus. For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, we participated in 327, 150, 64 and 61 collective statutory tender processes, respectively. For those collective statutory tender processes that we participated in, our success rate was 64.8%, 56.0%, 84.4% and 49.2%, respectively for the same periods. The success rate for the six months ended 30 June 2013 may improve as the results of 25 out of 61 collective statutory tender processes we participated in have not yet been announced as of the Latest Practicable Date. In addition, our uremic clearance granule was selected as an alternative medicine in Guangxi province in 2011. However, there is no assurance that we will always succeed in winning bids in the collective statutory tender process or secure the selection of our products by the bid evaluation committee as alternative medicines to supply our products to non-profit-making hospitals and other non-profit-making medical institutions. If we fail to win such bids, we will not be qualified to sell the affected pharmaceutical products to such hospitals and medical institutions in the relevant province or city and our business, financial condition and results of operation may be materially and adversely affected.

We rely on our third party distributors to sell our products

Almost all of our pharmaceutical products are sold to hospitals, medical institutions and pharmacies through our Independent Third Party distributors which are GSP certified corporations. Due to our dependence on third party distributors for the sale and distribution of our products, any one of the following events could cause fluctuations or declines in our turnover and could have an adverse effect on our financial condition and results of operation:

- reduction, delay or cancellation of orders from one or more of our third party distributors;
- selection or increased sales by our third party distributors of our competitors' products;
- our failure to renew distribution agreements and maintain relationships with our existing third party distributors; or
- inability to timely identify and appoint additional or replacement distributors upon the loss of one or more of our third party distributors.

We may not be able to compete successfully against the larger and better-funded marketing campaigns of some of our current or future competitors, especially if these competitors provide more favourable arrangements with their distributors. We cannot assure you that we will not lose any of our third party distributors to our competitors in the future. In addition, we may not be able to successfully manage our third party distributors and the cost of any consolidation or further expansion of our distribution and sales network may exceed the turnover generated from these efforts. Furthermore, if the sales volume of our products is not maintained at a satisfactory level, our third party distributors may not place orders for new products from us, may decrease the quantity of their usual orders or may ask for discount on the purchase price. The occurrence of any of these factors could result in a significant decrease in the sales volume of our products and therefore adversely affect our financial condition and results of operation.

We have limited control over the practice and manner of the sales by our third party distributors, the sub-distributors, hospitals, medical institutions and pharmacies

Despite having in place our monitoring system, due to the large number of our third party distributors and the size of the market, it is difficult to monitor our third party distributors' practices extensively and substantively. In addition, even though we have direct contractual relationship with our third party distributors and some of our sub-distributors, we do not have any contractual relationship with those hospitals, medical institutions and pharmacies who contract with and operate under our third party distributors or their sub-distributors. As a result, our control over the ultimate retail sales of our product is limited. Please refer to the paragraph headed "Our employees or third party distributors or sub-distributors could engage in corrupt or other improper conduct that could harm our reputation, business, financial condition and results of operation" in this section for more details.

Our employees or third party distributors or sub-distributors could engage in corrupt or other improper conduct that could harm our reputation, business, financial condition and results of operation

Although our policies prohibit our employees from engaging in corrupt or other improper conduct, such as making improper payments to hospitals, medical institutions or medical practitioners to influence their procurement decisions, we may be unable to effectively control our employees' conduct. Our agreements with our third party distributors and sub-distributors also prohibit them from engaging in improper conduct that would harm our reputation and business. Please refer to the section headed "BUSINESS – COMPLIANCE – Anti-corruption compliance" in this prospectus for further details of our anti-corruption measures. However, our ability to manage the activities of our third party distributors or sub-distributors is limited. We are not aware of any incidents concerning corrupt or inappropriate conduct engaged in by our Directors or employees during the Track Record Period and up to the Latest Practicable Date. Further, to the best knowledge of our Directors, none of our third party distributors or sub-distributors was involved in any investigation or litigation in respect of non-compliance with such requirements during the Track Record Period and up to the Latest Practicable Date. However, there is no assurance that our employees, third party distributors and sub-distributors will not engage in corrupt or other improper conduct or violate applicable anti-corruption laws in the future.

If our employees engage in corrupt or other improper conduct or violate applicable anti-corruption laws, we could be required to pay damages or fines, which may have a material adverse effect on our business, financial condition and results of operation. Furthermore, even though there are restrictive provisions in the relevant distribution agreements, we may still be liable for actions taken by our third party distributors or sub-distributors, including any violations of applicable laws in connection with the sale of our products, or anti-corruption laws and regulations of the PRC. It is also possible that the PRC government could adopt new or different regulations affecting the way in which pharmaceutical products are sold to address anti-corruption or other concerns. If our employees, third party distributors or sub-distributors, without our knowledge, previously engaged in improper or illegal conduct to improve sales of our products, and are no longer able to do so due to stronger anti-corruption measures implemented by the relevant authorities, this may affect our sales and our business, financial condition and results of operation could be materially and adversely affected.

Our business is subject to consumption pattern of our third party distributors

Our results of operation are subject to consumption pattern of our third party distributors. Our Group generally receives more orders from our third party distributors in the fourth quarter of the year as hospitals, medical institutions and pharmacies tend to stock up their inventories prior to the new year and the Chinese new year through placing more orders with our third party distributors and that the smaller size hospitals, medical institutions and pharmacies in the more remote and less developed regions generally place their only orders in the fourth quarter of the year. For the three years ended 31 December 2010, 2011 and 2012, our turnover in the fourth quarter of the year amounted to 39.7%, 40.0% and 36.0% of our annual turnover, respectively.

However, we cannot necessarily anticipate accurately any future changes in consumption pattern or any other factors. Any negative changes in factors which affect the third party distributors' consumption behaviour may adversely affect our results of operation and financial condition.

We may be affected by the changes in or cessation of differentiated pricing treatment (差別定價) of our uremic clearance granule in Guangdong province

As of the Latest Practicable Date, our uremic clearance granule was subject to government price controls in the form of maximum retail prices, details of which are set out in the section headed "REGULATION – PRICE CONTROLS" in this prospectus. Since April 2010, our uremic clearance granule has enjoyed differentiated pricing treatment (差別定價) in Guangdong province as approved by Guangdong Pricing Bureau, whereby a higher maximum retail price of our uremic clearance granule can be set for Guangdong province and the pharmaceutical products procurement office in Guangdong province (廣東省醫藥採購中心) is allowed to adjust upward our successful bidding price. The maximum retail price and the successful bidding price of our uremic clearance granule in Guangdong province were adjusted to RMB66.0 (75 grams) and RMB79.2 (90 grams), and RMB55.7 (75 grams) and RMB66.8 (90 grams) accordingly. Such treatment indirectly allows us to increase the wholesale price of our uremic clearance granule at which we sell to our third party distributors in Guangdong province. For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, our Group's turnover generated in Guangdong province, including those relating to the sale of our uremic clearance granule, amounted to RMB42.7 million, RMB37.6 million, RMB52.5 million and RMB26.1 million, respectively, representing 14.1%, 9.7%, 11.5% and 11.4% of our total turnover for the same periods, respectively. Please refer to the section headed "BUSINESS – MARKETING AND DISTRIBUTION – Product pricing policy" in this prospectus for further details. Any removal, loss, suspension or reduction of such pricing treatment may have an adverse effect on our business, financial condition and results of operation.

If we fail to maintain or increase our marketing activities and capabilities, our market share and our reputation, business, financial condition and results of operation may be materially and adversely affected

The success and lifespan of our products are dependent on our efforts in marketing them. However, there is no assurance that our current and planned spending on marketing activities will be adequate to support our future growth. Any factors adversely affecting our ability to maintain or increase our marketing activities and capabilities will have an adverse effect on the market share of our products and the brand name and reputation of our products, which may result in decreased demand for our products and may materially and adversely affect our business, financial condition and results of operation.

For instance, our marketing activities rely on our marketing team, which comprised over 550 members as of 30 June 2013. Our marketing team directly markets and promotes our kidney medicines and medical contrast medium to hospitals, medical institutions and pharmacies by sharing specialist knowledge and information with medical practitioners, while our third party distributors who purchase kidney medicines and medical contrast medium from us are responsible for reselling and distributing these products to these hospitals, medical institutions and pharmacies either directly or indirectly through other sub-distributors. Please also refer to the section headed "BUSINESS – MARKETING AND DISTRIBUTION – Our marketing activities" in this prospectus for information about the functions of our marketing team. Our Group must hire and retain employees with the marketing expertise and industry knowledge to maintain and continue to develop our marketing plans. There is no assurance that we will continue to be able to recruit and/or retain suitable marketing employees in the future.

Our research and development activities may not result in the successful development of new products, applications of existing products, product formulation, production methods or techniques

Our future growth and prospects are dependent on our ability to successfully develop new pharmaceutical products, applications of existing products, product formulation, production methods or techniques, which can be affected by many factors beyond our control. These include failure to meet clinical safety, efficacy or other standards and requirements during testing and clinical trials, or failure to obtain regulatory approvals, including CFDA approval, on time or at all. Clinical trials are lengthy and expensive, and their results can be highly unpredictable. During the Track Record Period, we discontinued the research and development project of a digestive medicine as we were unable to obtain the New Medicine Certificate for such medicine due to deficiency in the design and control of our trial process. Considering that further investment in the project would exceed the commercial benefits arising from this medicine, we instead focused our resources on the research and development of another digestive medicine for irritable bowel syndrome. Save for this digestive medicine, we have not discontinued any other research and development projects during the Track Record Period.

There is also no assurance that any research and development activities conducted or commissioned by us will be completed within the anticipated time frame or that the costs of such research and development activities can be fully or partially recovered. Our research and development expenses for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 were RMB12.8 million, RMB14.3 million, RMB13.4 million and RMB4.8 million, respectively. If our research and development activities do not result in the successful development of new products, applications of existing products, product formulation, production methods or techniques, we will not be able to recover the related costs of such research and development activities and will need to write-off the relevant capitalised development costs, which could materially and adversely affect our financial condition and results of operation.

We have formed collaboration with certain universities and institutions to jointly develop new pharmaceutical products, applications of existing products, product formulation, production methods or techniques and to benefit from their expertise, skills, resources and knowledge in these areas. Please refer to the section headed "BUSINESS – RESEARCH AND DEVELOPMENT – Collaboration with external research partners" in this prospectus for additional information. There is no assurance that we will be able to maintain such relationships or enter into new relationships with suitable research partners. Any deterioration in our existing relationships, misappropriation of research results or failure to enter into other new relationships with suitable research partners on acceptable terms to us for future research and development projects may have an adverse impact on our ability to successfully develop new pharmaceutical products, applications of existing

products, product formulation, production methods or techniques which in turn may materially and adversely affect our growth prospects.

Our production depends heavily on the supply of quality raw materials, and a decrease in supply, or an increase in the cost, of quality raw materials may materially and adversely affect our business, financial condition and results of operation

Purchase of raw materials accounted for a majority of our total cost of sales in the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. However, the market prices of raw materials may be subject to significant fluctuations due to various factors, such as weather and harvest conditions and the occurrence of natural disasters. During the Track Record Period, there were fluctuation in the prices of our major raw materials of our major pharmaceutical products. For instance, the average price per kilogram of Chinese herb A, a major raw material of our uremic clearance granule, were RMB20.6, RMB65.4, RMB95.2 and RMB120.4 for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively, and our costs for purchasing Chinese herb A were RMB1.0 million, RMB4.1 million, RMB7.3 million and RMB5.3 million for the same periods. Partly due to the increase of prices of major raw materials used for the production of our uremic clearance granule, the gross profit margin of our uremic clearance granule fluctuated during the Track Record Period, and were 85.3%, 80.6%, 82.4% and 82.1% for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. Please also refer to the section headed "BUSINESS – RAW MATERIALS" in this prospectus for further details of the historical prices of the major raw materials used for our production during the Track Record Period. Further, as the successful bidding prices of our pharmaceutical products are fixed by the collective statutory tender processes and in order to allow sufficient profit margin for our third party distributors, there is usually limited room for us to adjust our wholesale prices in case of price fluctuation of our raw materials. There is no assurance that we would be able to pass on any increase in raw material costs to our customers, and any substantial fluctuation in market prices of raw materials may materially increase our cost of sales and adversely affect our profitability and results of operation.

In April 2012, the CFDA found that there were samples of capsule medicines containing excessive amounts of chromium, a toxic heavy metal. The medical capsules used in these medicines were reported to be made from leather leftovers. During the Track Record Period, we used capsules as raw materials for some of our capsule products, the sales of which accounted for a minimal portion of our turnover for the Track Record Period. As in the case of other raw materials purchased by us, capsules are subject to sample testing when they are delivered to us. As of the Latest Practicable Date, we were not aware of any matters which indicate that the capsules purchased from our suppliers contain excessive chromium. However, there is no assurance that the raw materials purchased would not contain toxic substances or we would be able to identify those with toxic substances before using them in production. If we use raw materials which contain toxic substances, our business, financial condition and results of operation may be materially and adversely affected. Please also refer to the paragraph headed "If our products are manufactured improperly or contaminated, our reputation, business, financial condition and results of operation may be materially and adversely affected" in this section for risk associated with contaminated products.

We depend on a limited number of suppliers for raw materials and we have not entered into long-term supply contracts with our suppliers

We depend on a limited number of suppliers for raw materials for our products and most of the supply agreements with our suppliers are entered into on an annual basis. During the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, purchases from our five largest suppliers represented approximately 58.1%, 62.4%, 62.7% and 71.6% of our total purchase amount of raw materials. Our reliance on a limited number of suppliers may expose us to the risk of unexpected price increases for purchases of, or shortage in supply of, raw materials.

If any of our major suppliers fails to meet our purchase orders on a timely basis, offer us commercially acceptable terms or supply us with raw materials of the quality that we require or terminates its business relationship with us, we may be unable to source raw materials from comparable alternative suppliers on a timely basis and on commercially acceptable terms and our business, financial condition and results of operation may be materially and adversely affected.

Our business depends on the continued efforts of our executive Directors and our key personnel

Our success depends on the continued efforts of our executive Directors and our key personnel as identified in the section headed "DIRECTORS AND SENIOR MANAGEMENT" in this prospectus. In particular, our chairman and executive Director, Mr. AN, has over 10 years of experience in medical education and has engaged in the operation of related business for approximately 17 years. Our chief executive officer and executive Director, Ms. LI, has extensive experience in corporate strategies, operation management and marketing, and has engaged in medical education, research and development of pharmaceutical products and operation management for over 23 years where she gained deep knowledge of the pharmaceutical industry. She has been with our Group for over 15 years since 1998. The expertise, industry experience and contributions of our executive Directors and other key personnel are crucial to our success. If we lose the services of any of our executive Directors or other key personnel, and are unable to recruit and retain replacement personnel with equivalent qualifications in a timely manner, our business, financial condition and results of operation may be materially and adversely affected.

There is no assurance that those permits or certification which are necessary for our operation that will expire can be successfully renewed

All pharmaceutical manufacturing and wholesale distribution companies in the PRC are required to obtain certain permits and licences from various PRC governmental authorities, including GMP certifications for manufacturing and certain other permits and licences which enable them to conduct their business.

We have obtained permits, licences and GMP certifications required for the current manufacture of our products as well as other permits and licences which enable us to conduct our business. These permits and licences held by us are generally valid for a maximum period of five years and are subject to periodic renewal and/or reassessment by the relevant PRC governmental authorities. We intend to apply for the renewal of these permits, licences and certifications when required by applicable laws, rules and regulations. However, the standards of such renewal or reassessment may change from time to time. There is no assurance that we will be able to successfully renew all of these permits, licences and certifications. Any inability to renew any permits, licences or certifications that are material to our operations may severely disrupt, as well as prevent us from conducting, our business. Furthermore, if any interpretation or implementation of the relevant regulations or new regulations require us to obtain additional permits, licences or

certifications, there is no assurance that we will successfully obtain them. Even if we obtain such permits, licences or certifications, there may be significant additional costs and expenses involved, which may materially and adversely affect our financial condition and results of operation.

Moreover, we are subject to regular inspections, examinations, inquiries and audits by the regulatory authorities as part of the process of maintaining or renewing the various permits, licences and certifications required for manufacturing. In the event that any of our products or facilities fails such inspections, our reputation, business, financial condition and results of operation may be materially and adversely affected.

The existence of counterfeit pharmaceutical products in the PRC pharmaceutical retail market may damage our reputation and have a material adverse effect on our business, financial condition and results of operation

Certain pharmaceutical products distributed or sold in the PRC pharmaceutical market may be counterfeit, meaning pharmaceutical products manufactured without proper licences or approvals and fraudulently mislabelled with respect to their content and/or manufacturer. We are aware that certain counterfeits of our pharmaceutical products exist in the PRC market. Such counterfeit pharmaceutical products are generally sold at lower prices than the authentic pharmaceutical products due to their low production costs, and in some cases are very similar in appearance to the authentic pharmaceutical products. Counterfeit pharmaceutical products may or may not have the same chemical content as their authentic counterparts. We add counterfeit-prevention laser labels and unique barcodes on the packaging of our pharmaceutical products. In addition, we investigate counterfeit products in the market through our customer service department and marketing team to monitor any counterfeit products and infringement of our intellectual property and information provided by our third party distributors, other end-users. In the past, we have also informed the relevant PRC government authorities, such as the local branches of SAIC and public security bureaus, of existence of counterfeit of our pharmaceutical products. However, our preventive measures and the counterfeit pharmaceutical product regulation control and enforcement system in the PRC is unable to completely eliminate production and sale of counterfeit pharmaceutical products.

Any sale of counterfeits of our pharmaceutical products by others, especially if resulting in adverse side effects to consumers, may subject us to negative publicity or result in litigation against us. Further, consumers may buy counterfeit pharmaceutical products that are in direct competition with our products. As a result of these factors, the continued proliferation of counterfeit pharmaceutical products in the PRC may damage our reputation and have a material adverse effect on our business, financial condition and results of operation.

We may be unable to adequately protect our intellectual property rights

Our success depends upon obtaining and maintaining intellectual property rights and other forms of protection afforded to our products, technologies, inventions and improvements under PRC laws for protecting these rights. As of the Latest Practicable Date, we had registered 68 trademarks in the PRC, five trademarks in Hong Kong and one trademark in each of the Philippines, Thailand, Vietnam, Indonesia, Singapore and Korea, which were used in our business. In addition, as of the Latest Practicable Date, we had nine patents granted and one patent application pending registration by the SIPO. In addition, we had three patent applications pending approval in each of the United States, Europe and India. We had three patents granted in Hong Kong, one patent granted and two patent applications pending approval in Japan, and two patents granted and one patent application pending approval in Korea. These patents are used in our manufacturing operation. Our competitors may independently develop proprietary technology similar to ours,

introduce counterfeits of our products, misappropriate our proprietary information or processes or infringe on our patents and trademarks, or produce similar products that do not infringe on our patents or successfully challenge our patents. Our efforts to protect our patents, trademarks and other intellectual property rights may be unsuccessful against competitors or other violating entities. We may also be unable to identify any unauthorised use of our patents, trademarks and other intellectual property rights and may not be afforded adequate remedies for any breach. In particular, in the event that our registered patents and our patent applications do not adequately describe, enable or otherwise provide coverage of our technologies, samples and products, we would be unable to exclude others from developing or commercialising these technologies, samples and products.

We may be exposed to infringement claims if we infringe third party proprietary or intellectual property rights

Because of the confidential nature of PRC patent applications and the numerous patent applications currently under review in the PRC, we may be unable to determine whether any of our products, technologies, inventions and improvement and other related matters infringe upon the rights of others. Specifically, under PRC patent law, the term of patent protection starts from the date the patent was filed, instead of the date it was issued. Therefore, our priority in any PRC patents may be defeated by third party patents issued on a later date if the applications for such patents were filed prior to our own, and the technologies underlying such patents are the same or substantially similar to ours. In such a case, a third party with an earlier application may force us to pay to license its patented technology, sue us for patent infringement and/or challenge the validity of our patents. Similarly, we may face intellectual property infringement claims by third parties from other countries.

In addition, we have formed research collaboration with certain universities and institutions to use their technologies or methods for the production of new pharmaceutical products, applications of existing products, product formulation, production methods or techniques. Although no intellectual property claims against us are currently pending, we may be exposed to infringement claims by third parties in the future.

If we are subject to claims relating to infringement of intellectual property rights, we would need to defend ourselves and could become involved in litigation. Even if we are successful in defending against these claims, litigation could result in substantial costs and divert the attention of our management from our business operations. If we fail to defend such claims, we may be required to pay monetary damages or lose valuable intellectual property rights.

We rely on information systems in managing inventories and monitoring the inventory levels and sales level of our third party distributors

We employ an enterprise resource planning system to track the in-coming and out-going inventories. This system enables us to monitor levels in inventories on a timely basis so as to maintain an optimum level of raw materials and finished products. We also rely on our information system to monitor the inventory levels and sales level of our third party distributors by accessing their electronic system.

Any damage by unforeseen events or system failure which cause interruptions to the input, retrieval and transmission of data or increase in the service time, could disrupt our normal operations. There is no assurance that we can effectively carry out our disaster recovery plan to handle the failure of our information systems, or that we will be able to restore our operational capacity within a sufficiently adequate time frame to avoid disrupting our operations and business.

The occurrence of any of these events could have a material adverse effect on our business, financial condition and results of operation. In addition, if the capacity of our information systems fails to meet the increasing needs of our expanding operations, our ability to expand may be constrained.

Any prolonged or significant disruption to our manufacturing operations may materially and adversely affect our business, financial condition and results of operation

All of our products are manufactured in our own facilities in Guangzhou, Guangdong province and Tongliao, Inner Mongolia autonomous region. Our manufacturing operations are critical to our business and are subject to a number of risks, such as fire, theft, machinery breakdowns, sub-standard performance of our manufacturing equipment, natural disasters, outage of power, shortage of water and coal, the occurrence of any of which may severely disrupt our manufacturing operations. Any prolonged or significant disruption to our manufacturing operations may have a material adverse effect on our business, financial condition and results of operation.

We are subject to environmental regulations and may be exposed to liability and potential costs for environmental compliance

We are required to comply with the PRC laws and regulations concerning the discharge of air emission, waste water and solid waste during our manufacturing processes and the controlled use, storage, handling and disposal of hazardous materials and chemicals. Certain clearances and authorisations from governmental authorities are required for the treatment and disposal of any discharge. Any violation of these regulations may result in fines, criminal sanctions, revocation of operating permits, shutdown of our facilities and obligation to take corrective measures. There is no assurance that we will not incur future obligations or material liabilities relating to environmental laws and regulations.

Further, the government may adopt more stringent environmental regulations and there is no assurance that we will be in full compliance with these regulatory requirements at all times. Due to the possibility of unanticipated regulatory developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any unanticipated change in environmental regulation, we may be required to incur additional capital expenditures to, among other things, install, replace, upgrade or supplement our equipment relating to pollution control and the use, storage, handling and disposal of hazardous materials and chemicals, or make operational changes to limit any adverse impact or potential adverse impact on the environment in order to comply with new environmental protection laws and regulations. If such costs become prohibitively expensive, we may be forced to modify, curtail or cease certain aspects of our business operations.

If our products are manufactured improperly or contaminated, our reputation, business, financial condition and results of operation may be materially and adversely affected

We are exposed to risks inherent in the manufacturing, packaging, sale and marketing of our products, such as unsafe, ineffective, defective or contaminated products, improper filling of prescriptions, insufficient or improper labelling of products, including inadequate warnings or insufficient or misleading disclosures of side effects. If any of these happens, we may be subject to product recall or withdrawal, removal of regulatory approvals for such products or the relevant manufacturing facilities, lower success rate in winning bids submitted to the collective statutory tender processes, removal of such products from the National List of Essential Medicines, the National Medical Insurance Medicines Catalogue and the Military Reasonable Medical Treatment Medicines Catalogue and exposure to lawsuits relating to such products. In the event that any use or misuse of our products results in personal injury or death, product liability claims may be brought against us for damages.

A substantial claim or a substantial number of claims against us, if successful, may have a material adverse effect on our business, financial condition and results of operation. In the event of allegations that any of our products are harmful, we may experience reduced consumer demand for our products or these products may be recalled from the market. Any claims against us or product recalls, regardless of merit, could strain our financial resources as well as consume the time and attention of our management. If any claims against us were to prevail, we may incur monetary liabilities, and our reputation may be severely damaged. Although we have not been the subject of any substantial claim or a substantial number of claims based on product liability, personal injury, wrongful death or product recalls, there is no assurance that any such claims will not be brought against us in the future which may have a material adverse effect on our business, financial condition and results of operation.

Our insurance coverage may not completely cover the risks related to our business and operations

Our operations are subject to hazards and risks associated with our manufacturing operations, which may cause significant harm to persons or damage to properties. We maintain different types of insurance policies, including social security insurance for all of our employees, product delivery insurance, vehicle insurance and personal accident insurance. However, there is no assurance that our insurance policies will be adequate to cover all losses incurred. Losses incurred and associated liabilities may have a material adverse effect on our results of operation if such losses or liabilities are not covered by our insurance policies.

RISKS RELATING TO THE PHARMACEUTICAL INDUSTRY

Products whose sales accounted for a substantial portion of our turnover are subject to price controls and we do not have full discretion over the pricing of such products

As of the Latest Practicable Date, five of our 11 current pharmaceutical products, including our uremic clearance granule and our gadopentetate dimeglumine injection, were subject to government price controls in the form of maximum retail prices, details of which are set out in the section headed "REGULATION – PRICE CONTROLS" in this prospectus. As a result, our ability to set or raise the wholesale prices of these products is limited. In addition, the fixed or maximum retail prices of products that are included in the National Medical Insurance Medicines Catalogue may be subject to periodic downward adjustments as the PRC governmental authorities aim to make pharmaceutical products more affordable to the general public.

In March 2012, the NDRC issued a notice with regards to the survey and monitoring of the wholesale prices of pharmaceutical products, pursuant to which all pharmaceutical manufacturers of products with government-controlled retail prices are required to report the wholesale prices of such products to the NDRC from 1 September 2012. Further, pharmaceutical manufacturers who were selected can be disqualified in the collective statutory tender process if there is a significant difference between the wholesale price and the tender price. In July 2013, the NDRC announced that it plans to inspect the wholesale prices and production costs of 60 pharmaceutical companies from July to October 2013, aiming to timely set and adjust medicine prices. These initiatives may lead to further downward adjustments in the maximum retail prices of pharmaceutical products.

There was no adjustment to the maximum retail price imposed by the PRC government on our uremic clearance granule during the Track Record Period. However, in 2012, the PRC government lowered the maximum retail price of our alfacalcidol capsule. In 2013, the PRC government imposed the maximum retail price on compound amino acid injection (18AA-V) and lowered the maximum retail prices of doxofylline and glucose injection and gadopentetate dimeglumine injection. Any such

downward adjustment to the maximum retail prices of our products in the future may materially reduce our sales and adversely affect our business, financial condition and results of operation.

Although there are no control over the wholesale prices at which pharmaceutical manufacturers in the PRC must sell their products to distributors or hospitals or medical institutions, should the PRC government significantly reduce the maximum retail prices applicable to our products, we may have to reduce the wholesale prices at which we sell these products to our third party distributors, hospitals and medical institutions. In such case, our turnover and profitability may be materially reduced. Moreover, although we have not discontinued the manufacturing of any pharmaceutical product due to its fixed or maximum retail price set by the government which prevents us from gaining an appropriate profit margin, there is no assurance that it will not occur in the future. If more of our products were to become subject to price controls in the future, our business, financial condition and results of operation may also be materially and adversely affected.

The pharmaceutical industry is highly regulated and the regulatory framework, requirements and enforcement trends may fitfully change

The pharmaceutical industry, in which hospitals, medical institutions and pharmacies engage in, in the PRC is subject to extensive government regulation and supervision. In particular, the regulatory framework addresses all aspects of a pharmaceutical company's operations, including approval, production, licensing and certification requirements and procedures, periodic renewal and reassessment processes, registration of new medicines, quality control, pricing of pharmaceutical products and environmental protection. Violation of these laws, rules and regulations may also constitute a criminal offence under certain circumstances, and may have a material adverse effect on our business, financial condition and results of operation. Certain other laws, rules and regulations may also affect the pricing, demand and distribution of pharmaceutical products, such as those relating to pricing, procurement, prescription and dispensing of essential and other medicines by public hospitals and medical institutions, and government funding for individual healthcare and pharmaceutical services. Furthermore, PRC governmental authorities have introduced certain new regulatory measures in recent years, and have announced plans to implement additional rules and regulations with respect to the pharmaceutical industry. For example, a set of new GMP standards came into effect in 2011. These new regulatory measures and future government regulations may lead to significant changes in the PRC pharmaceutical industry, and may result in additional costs and lower profit margins for pharmaceutical manufacturers, as well as materially decrease the demand and reduce the pricing of pharmaceutical products and services.

In addition, many initiatives taken, or to be taken, by the PRC government under the ongoing healthcare reform plan are expected to significantly contribute to the growth of the pharmaceutical industry. For example, a significant portion of the government investment under the ongoing healthcare reform plan will be put towards subsidising patients' purchase of medicines. There is no assurance, however, that the relevant PRC governmental authorities will continue to introduce favourable policies. On the other hand, the relevant PRC governmental authorities may also introduce policies that are unfavourable to the industry. Termination of or material alterations to any favourable policies, or introduction of any unfavourable policies, may have a material adverse effect on our business, financial condition and results of operation.

The PRC pharmaceutical industry is highly competitive

The pharmaceutical industry is highly competitive. Our key competitors are national and regional manufacturers of pharmaceutical products. We compete directly with pharmaceutical manufacturers producing the same type of products as ours and indirectly with those producing products with similar curative effects which can be used as substitutes to our pharmaceutical products. We also face competition when we expand into other markets, and when new competitors enter into our existing markets. Our competitors vary by product and, in certain cases, different competitors may have greater or lesser financial resources, marketing capabilities and/or market share by region in the PRC than us.

The technologies used by us and our competitors are evolving rapidly, and new developments frequently result in price competition and product obsolescence. In addition, we may be impacted by competition from substitute products. There is no assurance that we will be able to remain competitive by continually distinguishing our products, or maintain our supplier and customer relationships, and there is no assurance that we will increase or maintain our existing market share. Moreover, any significant increase in competition may have a material adverse effect on our sales and profitability as well as our business and prospects. If we are unable to compete effectively, we may lose market share and our financial condition and results of operation may be materially and adversely affected.

RISKS RELATING TO THE PRC

Uncertainties with respect to the PRC legal system could have a material adverse effect on our business and operations

Our business is conducted, and our operations are located, in the PRC. Our business in the PRC is subject to PRC laws and regulations applicable to foreign investment in the PRC. The PRC legal system is a civil law system based on written statutes. Unlike in the common law system, prior cases have limited precedential value in deciding subsequent cases in the civil law legal system. Additionally, PRC written statutes are often principle oriented and require detailed interpretations by the enforcement bodies for their application and enforcement. When the PRC government started its economic reforms in 1978, it began to build a comprehensive system of laws and regulations to regulate business practices and the overall economic order of the country. The PRC has made significant progress in the promulgation of laws and regulations dealing with business and commercial affairs of various participants of the economy, involving foreign investment, corporate organisation and governance, commercial transactions, taxation and trade. However, the promulgation of new laws, changes in existing laws and abrogation of local regulations by national laws may have a material adverse effect on our business and operations. Additionally, given the involvement of different enforcement bodies of the relevant rules and regulations and the non-binding nature of prior court decisions and administrative rulings, the interpretation and enforcement of PRC laws and regulations may involve significant uncertainties under the current legal environment.

Changes in economic, political, legal and social developments and conditions in the PRC and policies adopted by the PRC government may adversely affect our business, financial condition and results of operation

All of our operating assets are located in the PRC and all of our sales are derived from our operations in the PRC. Our business, financial condition and results of operation are subject, to a significant degree, to economic, political, legal and social developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the

extent of government involvement, the level of development, the growth rate, and government control of foreign exchange. The PRC economy has traditionally been centrally planned. Since 1978, the PRC government has been promoting reforms of its economic and political systems. These reforms have brought about marked economic growth and social progress in the PRC, and the economy of the PRC has shifted gradually from a planned economy towards a market-oriented economy. We believe that we have benefited from the economic reforms implemented by the PRC government and its economic policies and measures. However, there is no assurance that the PRC government will continue to pursue economic reforms. The PRC government exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. In addition, while the PRC's economy has experienced significant growth in the last three decades, growth has been uneven across both geographic regions and the various sectors of the economy. Our business, financial condition and results of operation may be materially and adversely affected by the PRC government's political, economic and social policies, tax regulations or policies, and regulations affecting the pharmaceutical industry.

We may be affected by the changes in or cessation of income tax incentives and government grants

Under the PRC EIT Law, enterprises in the PRC are generally subject to a uniform 25% enterprise income tax rate on their worldwide income. Certain of our PRC subsidiaries are entitled to preferential tax rates under the PRC EIT Law. There is no assurance that these preferential enterprise income tax rates will continue to apply to such PRC subsidiaries. Other preferential policies that have been implemented for certain high-tech enterprises in Guangzhou, Guangdong province and Tongliao, Inner Mongolia autonomous region include various levels of rebates depending on the amount of value-added tax and income tax paid. For instance, both GZ Consun and Consun (Inner Mongolia) were granted the "High and New Technology Enterprise" status, and are entitled to enjoy the preferential income tax rate of 15% until the year ending 31 December 2013 and the year ending 31 December 2014, respectively, unless their respective statuses are renewed. These tax incentives are given at the discretion of the applicable governmental authorities and there is no assurance that any of our PRC subsidiaries will continue to enjoy such tax incentives.

During the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, we were awarded government grants of RMB38.8 million, RMB11.9 million, RMB18.2 million and RMB0.4 million, respectively, in respect of, among others, tax rebates and fundings for our research and development programmes.

Any removal, loss, suspension or reduction of such tax incentives, other tax benefit or relief or government grants may have an adverse effect on our financial condition and results of operation. Furthermore, any future increase in the enterprise income tax rate applicable to our PRC operating subsidiaries or other adverse tax treatments, such as the discontinuation of preferential tax treatments, may have a material adverse effect on our financial condition and results of operation.

Our Company is a holding company and our ability to pay dividends is dependent upon the earnings of, and distributions by, our subsidiaries in the PRC

Our Company is a holding company incorporated under the laws of Cayman Islands with limited liability. All of our business operations are conducted through our subsidiaries in the PRC. Our Company's ability to pay dividends to our Shareholders is dependent upon the earnings of our subsidiaries in the PRC and their distribution of funds to our Company, primarily in the form of

dividends. The ability of the subsidiaries in the PRC to make distributions to our Company depends upon, among other things, their distributable earnings. Under the PRC laws, payment of dividends is only permitted out of accumulated profits according to PRC accounting standards and regulations, and subsidiaries in the PRC are also required to set aside part of their after-tax profits to fund certain reserve funds that are not distributable as cash dividends. Other factors such as cash flow conditions, restrictions on distributions contained in the PRC subsidiaries' articles of associations, restrictions contained in any debt instruments, withholding tax and other arrangements will also affect the ability of our subsidiaries in the PRC to make distributions to our Company. These restrictions could reduce the amount of distributions that our Company receives from its subsidiaries in the PRC, which in turn would restrict our ability to pay dividends on our Shares.

We may be deemed a PRC resident enterprise under the PRC EIT Law and be subject to PRC taxation on our worldwide income

Under the PRC EIT Law, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and are generally subject to a uniform 25% enterprise income tax rate on their worldwide income. Under the supplementary rules for the PRC EIT Law, "de facto management bodies" is defined as bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. All of our management is currently based in the PRC, and may remain in the PRC. Therefore, our Company may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. If our Company is deemed a PRC resident enterprise, our Company will be subject to PRC enterprise income tax at the rate of 25% on our worldwide income. In that case, however, the dividend income our Company receives from our PRC subsidiaries may be exempt from PRC enterprise income tax because the PRC EIT Law and its implementation rules generally provide that dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise is exempt from enterprise income tax.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under the PRC tax laws

Under the PRC EIT Law and its implementation regulations, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (i.e., enterprises that do not have an establishment or place of business in the PRC, or have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) to the extent that such dividends are sourced within the PRC. Similarly, any gain realised on the transfer of Shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered a PRC "resident enterprise", the dividends we pay with respect to our Shares, or the gain you may realise from the transfer of our Shares, may be treated as income derived from sources within the PRC and be subject to PRC tax. If we are required under the PRC EIT Law to withhold PRC income tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC income tax on the transfer of our Shares, the value of your investment or return on your investment in our Shares may be adversely affected.

We may be required to pay income tax on capital gains from the transfer of equity interests in our PRC subsidiaries held by our offshore subsidiaries

In connection with the PRC EIT Law which came into effect on 1 January 2008 jointly issued by the Ministry of Finance and the State Administration of Taxation of the PRC (中華人民共和國國家税務總局) (the "**SAT**") on 30 April 2009, the Circular on Issues Concerning Process of Enterprise

Income Tax in Enterprise Restructuring Business (Cai Shui [2009] No. 59) (關於企業重組業務企業所得税處理若干問題的通知 (財税 [2009]59號)) became effective retrospectively on 1 January 2008. In preparation for the Global Offering, our Company and its subsidiaries underwent the Reorganisation. For more details of the Reorganisation, please refer to the section headed "HISTORY, REORGANISATION AND CORPORATE STRUCTURE – REORGANISATION" in this prospectus. The transfer of equity interests in certain PRC subsidiaries indirectly held by offshore subsidiaries of our Group to other offshore subsidiaries of our Group is subject to an income tax of 10% on capital gains which may be determined as the difference between the fair value of the equity interests transferred and the cost of investment. On 10 December 2009, the SAT issued the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer (Guo Shui Han [2009] No. 698)(關於加強非居民企業股權轉讓所得企業所得税管理的通知 (國税函 [2009]698號)), which became effective retrospectively on 1 January 2008. The notice clarified the definition cost of investment and other relevant details on enterprise income tax management regarding the share transfer of a PRC resident enterprise by non-PRC resident enterprises directly or indirectly. We have not made any provision for the payment of any income tax on any capital gain that may arise under the above circular and notice as it is currently unclear how the relevant PRC tax authorities will implement or enforce the above circular and notice and whether such income tax on capital gains treatment will be subject to further change. In the event that we are required to pay the income tax on capital gains by the relevant PRC tax authorities, our tax liability may increase and our profit and cash flow may be affected.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using proceeds we receive from the Global Offering to make loans or additional capital contributions to our PRC subsidiaries

As an offshore holding company of our PRC subsidiaries, our Company may make loans to our PRC subsidiaries, or our Company may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to the PRC regulations and foreign exchange loan registrations. For example, loans by our Company to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also decide to finance our PRC subsidiaries by means of capital contributions. These capital contributions must be approved by the Ministry of Commerce of the PRC or its local counterpart. There is no assurance that we can obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by our Company to finance our PRC subsidiaries. If we fail to receive relevant registrations or approvals, our ability to use the proceeds of the Global Offering and to capitalise our PRC operations may be negatively affected. This may materially and adversely affect our liquidity and our ability to expand our business.

PRC regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and adversely affect the implementation of our acquisition strategy

The M&A Rules provide the rules with which foreign investors must comply if they are seeking to acquire shares in a PRC domestic enterprise, whether through a purchase agreement, with existing shareholders or through a direct subscription from a company, that would result in that company becoming a foreign-funded enterprise. The M&A Rules further require that the business scope of the resultant foreign-funded enterprise conform to the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄). The M&A Rules also provide the takeover procedures for the acquisition of equity interests in PRC domestic enterprises.

There are uncertainties as to how the M&A Rules will be interpreted or implemented. If we decide to acquire a PRC domestic enterprise in the future, there is no assurance that we or the owners of such PRC company can successfully complete all necessary approval requirements under the M&A Rules. This may restrict our ability to implement our expansion and acquisition strategy and could materially and adversely affect our future growth.

Our subsidiaries, operations and significant assets are located in the PRC. Shareholders may not be accorded the same rights and protection that would be accorded under the Companies Law

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability and is subject to the Companies Law. Some of our subsidiaries and all of our operations are located in the PRC, and are therefore subject to the relevant laws in the PRC. The Companies Law may provide shareholders with certain rights and protection of which there may be no corresponding or similar provisions under PRC laws. As such, investors in our Shares may or may not be accorded the same level of shareholder rights and protection that would be accorded under the Companies Law.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in the PRC or to enforce against them or us in the PRC any judgments obtained from non-PRC courts

Our Company was incorporated in the Cayman Islands. A majority of our Directors reside in the PRC from time to time. Almost all of our assets, and some of the assets of our Directors are located in the PRC. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (the "**Arrangement**"). Pursuant to the Arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case, according to a choice of court agreement in writing, may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case, pursuant to a choice of court agreement in writing, may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other western countries or Japan. Hence, the recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market in Hong Kong for our Shares and their liquidity and market price may be volatile

Prior to the Global Offering, no public market existed for our Shares. The initial Offer Price range to the public for our Shares is the result of negotiations between us and the Sole Bookrunner on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. There is no assurance that an active trading market for our Shares will develop following the Global Offering or, if it does develop, that it will be sustained or that the market price for our Shares will not decline below the initial Offer Price.

The price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing our Shares in the Global Offering

Factors such as fluctuations in our sales, earnings, cash flows, new investments, acquisitions or alliances, regulatory developments, additions or departures of key personnel, or actions taken by competitors could cause the market price of our Shares or trading volume of our Shares to change substantially and/or unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance or condition of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may materially and adversely affect the prices of our Shares, and as a result investors in our Shares may incur substantial losses.

We may not declare dividends in the future

We cannot guarantee when, if and in what form dividends will be paid on our Shares following the Global Offering. A declaration of dividends must be proposed by our Board and is based on, and limited by, various factors, including, without limitation, our business and financial performance, capital and regulatory requirements and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements prepared under the HKFRSs indicate that our operations have been profitable. For further details on our dividend policy, please refer to the section headed "FINANCIAL INFORMATION – DIVIDEND POLICY" in this prospectus.

Control by our Controlling Shareholders of a substantial percentage of our Company's share capital after the completion of the Global Offering may limit your ability to influence the outcome of decisions requiring the approval of Shareholders

Upon completion of the Global Offering (but without taking into account Shares which may be taken up or acquired under the Global Offering and any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), the Concerted Group will be beneficially interested in approximately 47.8% of our entire issued share capital. The Concerted Group is considered to act as a group of controlling shareholders. For details, please refer to the section headed "HISTORY, REORGANISATION AND CORPORATE STRUCTURE – OUR CORPORATE HISTORY UP TO THE REORGANISATION – Concerted Group of Controlling Shareholders". The interests of our Controlling Shareholders may conflict with the interests of our other Shareholders. Following the completion of the Global Offering, our Controlling Shareholders will continue to have significant influence over us, including on matters relating to potential mergers, consolidations, the sale of all or substantially all of our assets, the election of Directors, and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of us, which could deprive our Shareholders of the opportunity to receive a premium for their Shares as part of a sale of us or our assets, and might reduce the trading price of our Shares. Due to our Controlling Shareholders' position, these actions may be taken even

if they are opposed by our other Shareholders, including those who subscribe for our Shares in the Global Offering. For more information regarding the share ownership of, and our relationship with, our Controlling Shareholders, please refer to the section headed "RELATIONSHIP WITH CONTROLLING SHAREHOLDERS" in this prospectus.

Future sale or major divestment of shares by any of our Controlling Shareholders could adversely affect the prevailing market price of our Shares

Our Shares held by certain Controlling Shareholders are subject to certain lock-up periods, the details of which are set out in the section headed "UNDERWRITING" in this prospectus. However, there is no assurance that after the restrictions of the lock-up periods expire, these Shareholders will not dispose of any Shares. Sale of substantial amounts of our Shares in the public market, or the perception that these sales may occur, may materially and adversely affect the prevailing market price of our Shares.

New investors will incur immediate dilution and may experience further dilution

The Offer Price is substantially higher than our audited net asset value per Share based on our issued share capital after the completion of the Global Offering. If we were liquidated for net asset value immediately following the Global Offering, each Shareholder subscribing to the Global Offering would receive less than the price they paid for their Shares. In addition, in order to expand our business, we may consider offering and issuing additional Shares in the future. Investors of our Shares may experience dilution in the net asset value per Share of their Shares if we issue additional Shares in the future.

Certain facts, forecasts and other statistics with respect to the PRC, the PRC economy and the PRC pharmaceutical industry contained in this prospectus have not been independently verified

Facts, forecasts and other statistics in this prospectus relating to the PRC, the PRC economy and the PRC pharmaceutical industry have been derived from various sources including those provided by SMERI and government publication. Such information has not been prepared or independently verified by us, the Sole Sponsor, or any of our or their respective affiliates, directors or advisors and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics contained in such publications. In all cases, investors should give consideration as to how much weight or importance they should attach or place on such facts, forecasts or statistics.

Investors should read the entire prospectus carefully and we strongly caution the investors not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering, including, in particular, any projections, valuations or other forward-looking information

Prior to the publication of this prospectus, there may be press and media coverage regarding us and the Global Offering. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about ourselves or the Global Offering, or of any assumptions underlying such projections, valuations or other forward-looking information included in or referred to by the press articles or other media. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and not to rely on any other information.