You should read the following discussion and analysis in conjunction with our consolidated financial information, including the accompanying notes thereto, set out in "APPENDIX I – ACCOUNTANTS' REPORT" to this prospectus. Our consolidated financial information has been prepared in accordance with HKFRSs.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depend on a number of risks and uncertainties over which we do not have control. Please also see the sections headed "RISK FACTORS" and "FORWARD-LOOKING STATEMENTS" in this prospectus.

OVERVIEW

We are an integrated pharmaceutical company principally engaged in the research, manufacturing and sale of modern Chinese medicines and medical contrast medium in the PRC. Uremic clearance granule and gadopentetate dimeglumine injection are our two key products. For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, 76.7%, 78.0%, 77.0% and 76.6% of our turnover were generated from the manufacturing and sale of our kidney medicines, respectively. For the same periods, the turnover from the manufacturing and sale of our medical contrast medium accounted for 14.3%, 13.3%, 14.3% and 17.7% of our turnover, respectively.

We also offer a wide range of other medicines, including both prescription medicines and OTC medicines. As of the Latest Practicable Date, we manufactured and sold a total of 11 different medicines, including four modern Chinese medicines and seven chemical medicines. We sell almost all of our pharmaceutical products through our extensive national distribution network with 175 third party distributors as of 30 June 2013.

For the three years ended 31 December 2010, 2011 and 2012, our turnover were RMB303.7 million, RMB389.3 million and RMB457.8 million, respectively, representing a CAGR of 22.8% over the period. For the same periods, our profit were RMB79.3 million, RMB107.3 million and RMB136.2 million, respectively, representing a CAGR of 31.1%. For the six months ended 30 June 2012 and 2013, our turnover were RMB181.9 million and RMB228.4 million, respectively, representing an increase of 25.5%. For the same periods, our profit were RMB60.1 million and RMB59.1 million, respectively, representing a slight decrease of 1.7%, which is mainly due to the decrease of other revenue resulting from lesser government grant received during the six months ended 30 June 2013.

BASIS OF PREPARATION

Pursuant to the Reorganisation, as more fully described in the section headed "HISTORY, REORGANISATION AND CORPORATE STRUCTURE" in this prospectus and in "APPENDIX V – STATUTORY AND GENERAL INFORMATION" to this prospectus, our Company became the holding company of the companies comprising our Group. The financial information of our Group for the Track Record Period as set out in "APPENDIX I – ACCOUNTANTS' REPORT" to this prospectus has been prepared using a principle similar to that for a reverse acquisition as set out in HKFRS 3, Business combinations, with GZ Consun treated as the acquirer for accounting purposes. The consolidated financial information for our Group has been prepared and presented as a continuation of the financial statements of GZ Consun with the assets and liabilities of GZ Consun recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances and transactions are eliminated in full in preparing the consolidated financial information for our Group.

KEY FACTORS AFFECTING FINANCIAL CONDITION AND RESULTS OF OPERATION OF OUR GROUP

The growth of the oral modern Chinese medicines for kidney disease market and the MRI medical contrast medium market in the PRC

Our performance and profitability depend on the growth of the oral modern Chinese medicines for kidney disease market and the MRI medical contrast medium market in the PRC, where our key products uremic clearance granule and gadopentetate dimeglumine injection are in, respectively. The oral modern Chinese medicines for kidney disease market in the PRC has grown rapidly in recent years. According to SMERI Report, the market size of oral modern Chinese medicines for kidney disease in the PRC grew from approximately RMB0.9 billion in 2008 to approximately RMB2.0 billion in 2012, representing a CAGR of 22.7%. Growth in the oral modern Chinese medicines for kidney disease market in the PRC has been partly driven by the favourable macro environment in terms of GDP growth, increase in urbanisation and healthcare expenditure, aging population and the prevalence of chronic health problems, and government initiatives relating to the healthcare industry in the PRC. The market of oral modern Chinese medicines for kidney disease is also driven by the public's increasing recognition in the distinguished curative effects of modern Chinese medicines in comprehensive conditioning and its mild side effect in treating kidney disease and its convenient intake method. According to SMERI Report, the market size of the MRI medical contrast medium grew from RMB207.0 million in 2008 to approximately RMB504.1 million in 2012, representing a CAGR of 24.9%. The growth of the market of MRI medical contrast medium is driven by improved health awareness of the PRC population and people's increased awareness of the importance of screening and diagnosis of internal diseases.

We derive a significant portion of our turnover from our sale of kidney medicines, especially uremic clearance granule, and our medical contrast medium. We expect the continuous growth of the oral modern Chinese medicines for kidney disease market and the MRI medical contrast medium market in the PRC will continue to have a positive effect on our results of operation.

For further information regarding the oral modern Chinese medicines for kidney disease market and the MRI medical contrast medium market in the PRC, please refer to the section headed "INDUSTRY OVERVIEW" in this prospectus.

Market penetration

Our sales volume is and will continue to be affected by the level of our market penetration. Our marketing strategy and extensive sales and distribution network have enabled us to achieve rapid market expansion and deep market penetration. Our extensive national distribution network consisted of 175 third party distributors and 580 sub-distributors which entered into distribution or sub-distribution agreements with us, which covered approximately 26,000 hospitals, medical institutions and pharmacies in 31 provinces, autonomous regions and municipally cities across the PRC as of 30 June 2013. As of 30 June 2013, we had a team of over 550 dedicated marketing representatives, who are highly qualified and are capable of handling academic exchange with medical practitioners.

For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the increase in turnover from the sales of our products, mainly uremic clearance granule and gadopentetate dimeglumine injection, was in part due to our deepened market penetration. We will continue to expand our distribution and marketing network, with a view to further increase our market share and deepen market penetration.

Product offering

Our product offering affects our turnover, cost of sales, gross profit and gross profit margin. As of the Latest Practicable Date, although we manufactured and sold a total of 11 different medicines, including four modern Chinese medicines and seven chemical medicines, our gross profit margin was largely affected by the sales of our two key products, uremic clearance granule and gadopentetate dimeglumine injection, which have higher gross profit margins when compared to our other medicines and in aggregate accounted for 90.8%, 90.7%, 90.2% and 92.6% of our turnover for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively.

Going forward, we will continue to adjust our product portfolio from time to time to focus on products with higher profit margins. We also intend to enter into the new digestive medicines market and are in the process of developing a pharmaceutical product which is intended to be used for treating irritable bowel syndrome. Please refer to the section headed "BUSINESS – RESEARCH AND DEVELOPMENT – Products under development – *Digestive medicine*" in this prospectus for further details of the new digestive medicine.

Introduction of new products

Our future results of operation depend on our ability to develop and commercialise new products. In 2009, we launched our kidney repair and edema alleviation granule, which is a modern Chinese medicine mainly used for treating chronic glomerulonephritis and reducing proteinuria. Since then, the sales of our kidney repair and edema alleviation granule has experienced rapid growth. For the three years ended 31 December 2010, 2011 and 2012, the turnover from the sale of our kidney repair and edema alleviation granule were RMB0.6 million, RMB2.0 million and RMB5.0 million respectively, representing a CAGR of 196.3% over the period. For the six months ended 30 June 2012 and 2013, the turnover from such product were RMB1.8 million and RMB4.0 million, respectively, representing an increase of 117.9%. We believe that kidney repair and edema alleviation granule has good market potential and will continue to grow significantly and become another strong contributor to our turnover in the long term. Please refer to the section headed "BUSINESS – PRODUCTS – Kidney medicines – *Kidney repair and edeme alleviation granule (益腎化濕顆粒)*" in this prospectus for further details.

As of the Latest Practicable Date, we had seven product candidates, including two potential kidney medicines, four potential medical contrast medium and one potential digestive medicine, which are in various stages of development. As of the Latest Practicable Date, one of them was pending the production approval, two of them were in pre-clinical research stage and four of them were in trial stage. For further information regarding the details of these product candidates, please refer to the section headed "BUSINESS – RESEARCH AND DEVELOPMENT – Products under development" in this prospectus.

Consumption pattern

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. As a result, we believe that comparisons of our operating results and net income over any interim periods may not be meaningful and such comparisons may not be an accurate indicator of our future performance. Please also refer to the section headed "RISK FACTORS – RISKS RELATING TO OUR BUSINESS – Our business is subject to consumption pattern of our third party distributors" in this prospectus.

Regulatory environment in the PRC

Our results of operation are and will continue to be affected by regulations promulgated or undertaken by the PRC government, particularly those in relation to the retail price controls and the procurement of pharmaceutical products through collective statutory tender process.

Pursuant to the Announcement of the Opinion of the Bureau of State Planning Commission regarding Reforms on Price Administration of Pharmaceutical Products (國家計委印發關於改革藥品價格管理的意見的通知) issued by the Bureau of State Planning Commission, the predecessor of the NDRC, and the Price-controlled Pharmaceutical Products Catalogue of the NDRC (國家發展改革委定價藥品目錄), retail prices of pharmaceutical products are either determined by the PRC government or by market conditions. The retail prices of certain pharmaceutical products sold in the PRC, primarily those included in the National Medical Insurance Medicines Catalogue, are subject to price controls mainly in the form of fixed retail prices or maximum retail price. Manufacturers and operators are not allowed to set the actual retail price for any price-controlled product above the maximum retail price or deviate from the fixed retail price imposed by the PRC government.

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 retail price controls imposed by the PRC government in the form of maximum retail prices. 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. 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 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.

Although the PRC government does not impose restrictions upon wholesale prices at which pharmaceutical manufacturers have to sell their products, controls over and adjustment to the retail price of a pharmaceutical product, if material, would indirectly affect the wholesale prices at which we sell our pharmaceutical products to third party distributors and therefore indirectly affecting our revenue and profitability. There was no adjustment to the maximum retail prices imposed by the PRC government on our uremic clearance granule during the Track Record Period. 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. However, as the average retail prices of alfacalcidol capsule, compound amino acid injection (18AA-V), doxofylline and glucose injection and gadopentetate dimeglumine injection were all lower than their corresponding maximum retail prices for the relevant periods, our Directors consider that the PRC government's price control policy for retail prices of pharmaceutical products did not have a material adverse effect on us during the Track Record Period. Please refer to the section headed "BUSINESS – MARKETING AND DISTRIBUTION – Product pricing policy" in this prospectus for further details.

Further, 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. 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 further details. 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.

Our sales volume and market share depend on our ability to succeed in the collective statutory tender process or secure the selection of our products by bid evaluation committee as alternative medicines to supply our products to non-profit-making hospitals and other non-profit-making medical institutions. If we can not successfully do so, we will lose the revenue associated with the sales of the affected pharmaceutical products in the relevant province or city and our results of operation may be adversely affected.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial statements requires us to make judgments in selecting the appropriate estimates and assumptions that affect the amounts reported in our financial statements. Actual results may differ from these estimates under different assumptions and conditions. The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial information. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on, among other things, our experience, our observance of trends in the industry, and information available from outside sources, as appropriate. There can be no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items. Our significant accounting policies and critical accounting estimates and judgments are set out in detail in notes 1 and 26 to our consolidated financial statements included in "APPENDIX I – ACCOUNTANTS' REPORT" to this prospectus.

We believe the following accounting policies involve the more significant judgments and estimates used in the preparation of our financial statements.

Revenue recognition

We measure our revenue at the fair value of the consideration received or receivable. We recognise our revenue when it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, on the following basis: (i) for the sale of goods, when the goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts; (ii) for interest income, when it accrues using the effective interest method; (iii) for government grants that compensate our Group for expenses incurred, on a systematic basis in the same periods in which the expenses are incurred; and (iv) for government grants that compensate our Group for the cost of an asset, initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset by way of reduced depreciation expense. Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them.

Impairment of assets

Impairment of investments in equity securities and other receivables

We assess whether there is any indication of impairment for the investments in equity securities and other receivables that are stated at cost or amortised cost at the end of each reporting period. If any such indication exists, any impairment loss is determined and recognised on the following basis: (i) for unquoted equity securities carried at cost, the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material; and (ii) for trade and other receivables carried at amortised cost, the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss (other than for equity securities) decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years. Impairment losses for equity securities carried at cost are not reversed.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables included within trade and other receivables, whose recovery is considered doubtful but not remote, which will be recorded using an allowance account. The doubtful debt, when considered remote and irrecoverable, is written off against trade and other receivables directly and the allowance account will be reversed. Subsequent recoveries of doubtful debt previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased: (i) property, plant and equipment; (ii) lease prepayment; and (iii) other investment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. An impairment loss is recognised in the income statements if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. Reversals of impairment losses, which are limited to the relevant asset's carrying amount that would have been determined had no impairment loss been recognised in prior years, are credited to the income statement in the year in which it arises.

Inventories

We measure inventories at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The carrying amount of inventories when sold is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Property, plant and equipment

We measure buildings held for own use which are situated on leasehold land classified as held under operating leases and other items of plant and equipment at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows: (i) the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion for buildings situated on leasehold land; (ii) ten years for machinery and equipment; (iii) five years for motor vehicles; and (iv) five years for office equipment. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

We measure construction in progress at cost (i.e. direct costs of construction during the construction period) less impairment losses. Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially complete and ready for its intended use. No depreciation is provided in respect of construction in progress.

Intangible assets

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of our Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development state of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

PRINCIPAL INCOME STATEMENT ITEMS

Turnover

We derive our turnover from the manufacturing and sale of our pharmaceutical products. Our products include kidney medicines, medical contrast medium and other medicines. The following table sets out our turnover by product categories for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2010		2011		2012		2012		2013	
Turnover	*RMB ('000)*	*% of turnover*	*RMB ('000)*	*% of turnover*	*RMB ('000)*	*% of turnover*	*RMB ('000) (Unaudited)*	*% of turnover*	*RMB ('000)*	*% of turnover*
Kidney medicines										
Uremic clearance granule	232,235	76.5	301,359	77.4	347,690	75.9	130,713	71.9	171,053	74.9
Kidney repair and edema alleviation granule	570	0.2	1,955	0.5	5,004	1.1	1,823	1.0	3,972	1.7
Others	126	0.0	290	0.1	10	0.0	–	–	4	0.0
Sub-total	232,931	76.7	303,604	78.0	352,704	77.0	132,536	72.9	175,029	76.6
Medical contrast medium										
Gadopentetate dimeglumine injection	43,520	14.3	51,662	13.3	65,272	14.3	30,701	16.9	40,347	17.7
Other medicines	27,262	9.0	34,039	8.7	39,825	8.7	18,682	10.2	13,014	5.7
Total	303,713	100.0	389,305	100.0	457,801	100.0	181,919	100.0	228,390	100.0

The following tables set out the sales volume and the average wholesale price per unit of our key products, uremic clearance granule and gadopentetate dimeglumine injection, for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2010	2011	2012	2013
Uremic clearance granule				
Sales volume *(Tonne)*	370	498	582	290
Gadopentetate dimeglumine injection				
Sales volume *(Litre)*	6,759	8,336	10,469	6,496

	Size per unit	For the year ended 31 December			For the six months ended 30 June
		2010	2011	2012	2013
		(RMB)	(RMB)	(RMB)	(RMB)
Uremic clearance granule	75 grams	47.3	46.2	46.0	45.3
	90 grams	53.9	52.9	52.7	52.3
Gadopentetate dimeglumine injection...	10ml	71.4	67.1	63.8	72.4
	12ml	84.4	81.1	80.7	81.8
	15ml	99.5	95.0	96.6	95.5
	20ml	122.1	118.3	118.8	118.9

Our turnover increased from RMB303.7 million for the year ended 31 December 2010 to RMB389.3 million for the year ended 31 December 2011 and further to RMB457.8 million for the year ended 31 December 2012, representing a CAGR of 22.8% over the period. Our turnover also increased from RMB181.9 million for the six months ended 30 June 2012 to RMB228.4 million for the six months ended 30 June 2013, representing an increase of 25.5%. The increase in our turnover during the Track Record Period was primarily due to the growth of sales of our two key products, uremic clearance granule and gadopentetate dimeglumine injection, which was partially offset by their decreasing average wholesale prices. The sales volume of our uremic clearance granule increased from 370 tonnes in 2010 to 582 tonnes in 2012, representing a CAGR of 25.4% over the period, and was 290 tonnes for the six months ended 30 June 2013. The sales volume of our gadopentetate dimeglumine injection increased from 6,759 litres in 2010 to 10,469 litres in 2012, representing a CAGR of 24.5% over the period, and was 6,496 litres for the six months ended 30 June 2013. Such increase in sales volume resulted primarily from (i) our increased marketing efforts including our extended marketing coverage of different departments in hospitals and our deepened market penetration; (ii) the increase in overall market demand for oral modern Chinese medicines for kidney disease in the PRC driven by the increased awareness of chronic kidney disease and the public's increasing recognition in the distinguished curative effects of modern Chinese medicines in comprehensive conditioning and its mild side effect in treating kidney disease and its convenient intake method; and (iii) the increase in overall market demand for medical contrast medium in the PRC driven by the increased awareness of screening and diagnosis of internal diseases. The slight decreases in the average wholesale prices of both of our key products during the Track Record Period were mainly attributable to (i) the decrease in average successful bidding prices in the collective statutory tender process as we submitted bids with relatively lower bidding prices with reference to the suggested bidding prices set out in the tender invitations, and (ii) more discounts offered to our third party distributors in order to incentivise them to obtain more orders from new hospitals and medical institutions with a view to further increase our market share.

In addition, our kidney repair and edema alleviation granule, which was launched in 2009, has experienced rapid growth in its sales. For the three years ended 31 December 2010, 2011 and 2012, turnover from the sale of our kidney repair and edema alleviation granule were RMB0.6 million, RMB2.0 million and RMB5.0 million, respectively, representing a CAGR of 196.3% over the period. For the six months ended 30 June 2012 and 2013, the turnover from such product were RMB1.8 million and RMB4.0 million, respectively, representing an increase of 117.9%. We believe that kidney repair and edema alleviation granule has good market potential and will continue to grow significantly and become another strong contributor to our turnover in the long term.

The majority of our turnover is derived from the sale of our kidney medicines, in particular, our uremic clearance granule, with a lesser portion generated from the sale of our medical contrast medium. For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, 76.7%, 78.0%, 77.0% and 76.6% of our turnover were generated from the sale of our kidney medicines, respectively. For the same periods, turnover from the manufacturing and sale of our medical contrast medium accounted for 14.3%, 13.3%, 14.3% and 17.7% of our turnover, respectively. The remaining turnover were derived from the sale of other medicines. During the Track Record Period, our other medicines mainly included compound amino acid injection (18AA-V) (複方氨基酸注射液(18AA-V)), iron dextran oral solution (右旋糖酐鐵口服液), cetrizine hydrochloride oral solution (鹽酸西替利嗪口服溶液), erythromycin estolate suspension (依託紅霉素混懸液), alfacalcidol capsule (阿法骨化醇膠囊), doxofylline and glucose injection (多索茶鹼葡萄糖注射液) and thrombolytic injection (血栓通注射液) which we ceased production in August 2012.

We expect the demand of our key products, uremic clearance granule and gadopentetate dimeglumine injection, to continue to increase in the near future, on the basis that, for our uremic clearance granule: (i) the market size of oral modern Chinese medicines for kidney disease in the PRC has grown from approximately RMB0.9 billion in 2008 to RMB2.0 billion in 2012, representing a CAGR of 22.7%, and is expected to continue to grow at a CAGR of 17.0% from 2013 to 2017, according to SMERI report; (ii) it has the leading position in the market of oral modern Chinese medicines for kidney disease in the PRC; and (iii) it benefits from being included in the National List of Essential Medicines, where medicines on such list are required to be prescribed by hospitals and medical institutions, and for our gadopentetate dimeglumine injection: (i) the market size of MRI medical contrast medium in the PRC has grown from RMB207.0 million in 2008 to RMB504.1 million in 2012, representing a CAGR of 24.9%, and is expected to continue to grow substantially at a CAGR of 22.6% from 2013 to 2017, according to SMERI report; and (ii) there are currently only four manufacturers, including us, that manufacture and sell such medical contrast medium with production approval from CFDA in the PRC. Our Directors believe that our uremic clearance granule and gadopentetate dimeglumine injection will continue to be our key products and will continue to generate sustainable sales in the near future.

Almost all of our pharmaceutical products are sold to hospitals, medical institutions and pharmacies through our Independent Third Party distributors. To a lesser extent, we also directly sell a certain amount of our gadopentetate dimeglumine injection directly to hospitals, the sales amount of which was insignificant to our business during the Track Record Period.

Cost of sales

Our cost of sales primarily consists of raw materials, direct labour and manufacturing overheads. Raw materials include Chinese herbs which are used for the production of our modern Chinese medicines, chemicals which are used in the production of our chemical medicines, packaging materials and other auxiliary materials. Direct labour comprises the salaries and benefits for employees directly involved in production activities. Manufacturing overheads primarily represent depreciation of plant and machinery, utilities, and other miscellaneous production costs.

The following table sets out the components of our cost of sales for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2010		2011		2012		2012		2013	
Cost of sales	*RMB ('000)*	*% of cost of sales*	*RMB ('000)*	*% of cost of sales*	*RMB ('000)*	*% of cost of sales*	*RMB ('000) (Unaudited)*	*% of cost of sales*	*RMB ('000)*	*% of cost of sales*
Raw materials[1]	41,324	64.8	63,429	66.4	74,979	67.5	30,854	66.4	33,098	66.2
Direct labour	7,581	11.9	12,438	13.0	14,823	13.3	6,183	13.3	7,198	14.4
Manufacturing overhead	14,823	23.3	19,640	20.6	21,310	19.2	9,418	20.3	9,727	19.4
Total	63,728	100.0	95,507	100.0	111,112	100.0	46,455	100.0	50,023	100.0

Note:

(1) The cost of raw materials does not include the amount of raw materials used in research and development activities.

We experienced significant increase in cost of sales primarily due to increased production volume driven by increased demand and sales during the Track Record Period. For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, our cost of sales were RMB63.7 million, RMB95.5 million, RMB111.1 million and RMB50.0 million, representing 21.0%, 24.5%, 24.3% and 21.9%, respectively, of our turnover for the same periods.

The cost of raw materials was the largest component of our cost of sales and accounted for 64.8%, 66.4%, 67.5% and 66.2% of the total cost of sales for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. The increase in the cost of raw materials during the Track Record Period was primarily due to increased production volume driven by increased demand and sales, coupled with the increase of prices of the major raw materials used for the production of our kidney medicines and our medical contrast medium during the Track Record Period.

The following sensitivity analysis illustrates the impact of increase of cost of raw materials on our gross profit, gross profit margin, net profit and net profit margin for the periods indicated:

	RMB ('000), except percentages		
Hypothetical increase of cost of raw materials [1]	**+10%**	**+20%**	**+30%**
For the year ended 31 December 2010			
Impact on gross profit	-4,132	-8,265	-12,397
Impact on gross profit margin	-1.3%	-2.7%	-4.1%
Impact on net profit	-3,170	-6,339	-9,509
Impact on net profit margin	-1.0%	-2.1%	-3.1%
For the year ended 31 December 2011			
Impact on gross profit	-6,343	-12,686	-19,029
Impact on gross profit margin	-1.7%	-3.3%	-4.9%
Impact on net profit	-4,681	-9,361	-14,042
Impact on net profit margin	-1.2%	-2.4%	-3.6%
For the year ended 31 December 2012			
Impact on gross profit	-7,498	-14,996	-22,494
Impact on gross profit margin	-1.6%	-3.2%	-4.9%
Impact on net profit	-5,703	-11,407	-17,110
Impact on net profit margin	-1.3%	-2.5%	-3.8%
For the six months ended 30 June 2013			
Impact on gross profit	-3,310	-6,620	-9,929
Impact on gross profit margin	-1.5%	-2.9%	-4.4%
Impact on net profit	-2,426	-4,852	-7,278
Impact on net profit margin	-1.1%	-2.1%	-3.2%

Notes:

(1) The percentages used in the above sensitivity analysis are selected with reference to the historical overall change in prices of our raw materials, which are estimated to be 27% from the year ended 31 December 2010 to the year ended 31 December 2011, -4% from the year ended 31 December 2011 to the year ended 31 December 2012, and -3% from the year ended 31 December 2012 to the six months ended 30 June 2013, and derived from the direct cost of raw materials after netting off the effect of change in sales volume for the relevant period.

(2) The percentages used in the above sensitivity analysis may not correspond to the fluctuations shown in the table for the historical prices of the major raw materials used for our production during the Track Record Period in the section headed "BUSINESS – RAW MATERIALS" in this prospectus as (i) the percentages used in the above sensitivity analysis take into account the price movements of all, instead of just our major raw materials, and the quantity of the raw materials used in our production; and (ii) the increase in prices of certain raw materials was partially offset by the decrease in prices of certain other raw materials.

Please refer to the section headed "BUSINESS – RAW MATERIALS" in this prospectus for further breakdown and details of the historical prices of the major raw materials used for our production during the Track Record Period, and the section headed "RISK FACTORS – RISKS RELATING TO OUR BUSINESS – 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" in this prospectus for the further details of the relevant risk involved.

The following table sets out our cost of sales by product categories for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2010		2011		2012		2012		2013	
Cost of sales	*RMB ('000)*	*% of cost of sales*	*RMB ('000)*	*% of cost of sales*	*RMB ('000)*	*% of cost of sales*	*RMB ('000) (Unaudited)*	*% of cost of sales*	*RMB ('000)*	*% of cost of sales*
Kidney medicines..	34,563	54.2	60,192	63.0	64,208	57.8	24,663	53.1	33,136	66.2
Medical contrast medium	4,050	6.4	7,396	7.7	10,539	9.5	4,800	10.3	6,193	12.4
Other medicines ...	25,115	39.4	27,919	29.3	36,365	32.7	16,992	36.6	10,694	21.4
Total	63,728	100.0	95,507	100.0	111,112	100.0	46,455	100.0	50,023	100.0

During the Track Record Period, the cost of sales of our kidney medicines and our medical contrast medium as a percentage of our total cost of sales were much less than their respective percentage contribution to our turnover. This is primarily because our uremic clearance granule is a specialist medicine which enjoys leading position in the market of oral modern Chinese medicines for kidney disease in the PRC, and we are one of only five manufacturers of gadopentetate dimeglumine injection which is used in a specialised area to have obtained production approval from CFDA for the manufacture and sale of gadopentetate dimeglumine injection in the PRC, and one of only four still manufacturing and selling such pharmaceutical product. These products therefore generally command higher selling prices and have higher gross profit margins. Please also refer to the paragraph headed "Gross profit and gross profit margin" in this section.

Gross profit and gross profit margin

The following table sets out our total gross profit and gross profit margin by product categories for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2010		2011		2012		2012		2013	
Gross profit/(loss) **Gross profit margin**	*RMB ('000)*	*%*	*RMB ('000)*	*%*	*RMB ('000)*	*%*	*RMB ('000) (Unaudited)*	*%*	*RMB ('000)*	*%*
Kidney medicines										
Uremic clearance granule....	198,141	85.3	242,782	80.6	286,564	82.4	107,232	82.0	140,428	82.1
Kidney repair and edema alleviation granule............	302	53.0	663	33.9	1,932	38.6	641	35.2	1,572	39.6
Others................................	(75)	–	(33)	–	–	–	–	–	(107)	–
Sub-total/Overall	198,368	85.2	243,412	80.2	288,496	81.8	107,873	81.4	141,893	81.1
Medical contrast medium										
Gadopentetate dimeglumine injection..........................	39,470	90.7	44,266	85.7	54,733	83.9	25,901	84.4	34,154	84.7
Other medicines	2,147	7.9	6,120	18.0	3,460	8.7	1,690	9.0	2,320	17.8
Total/Overall	239,985	79.0	293,798	75.5	346,689	75.7	135,464	74.5	178,367	78.1

Our gross profit increased from RMB240.0 million for the year ended 31 December 2010 to RMB293.8 million for the year ended 31 December 2011 and further to RMB346.7 million for the year ended 31 December 2012, representing a CAGR of 20.2% over the period. Our gross profit also increased from RMB135.5 million for the six months ended 30 June 2012 to RMB178.4 million for the six months ended 30 June 2013, representing an increase of 31.7%. Such increase was primarily the result of an increase in the sales of our products during the Track Record Period.

During the Track Record Period, the gross profit margins for our major products, uremic clearance granule and gadopentetate dimeglumine injection, were significantly higher than those of our other medicines which is mainly attributable to the higher selling prices of these products. Our uremic clearance granule is a specialist medicine, which enjoys leading position in the market of oral modern Chinese medicines for kidney disease in the PRC, while our gadopentetate dimeglumine injection is a medical contrast medium used in a specialised area, where we are one of only four manufacturers with production approval from CFDA still manufacturing and selling such medical contrast medium in the PRC. Therefore, we believe that we can continue to command higher selling prices and maintain similar level of gross profit margin for our uremic clearance granule and our gadopentetate dimeglumine injection in the future. Please also refer to the section headed "BUSINESS – COMPETITION" in this prospectus for further details of the competitiveness of our major products.

For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, our gross profit margin for kidney medicines were 85.2%, 80.2%, 81.8% and 81.1%, respectively, and the gross profit margin for our uremic clearance granule were 85.3%, 80.6%, 82.4% and 82.1%, respectively. The general decrease during the Track Record Period was primarily due to the increase of prices of the major raw materials used for the production of our uremic clearance granule (in particular, Chinese herb A), increased labour cost and the increased competition in the market of oral modern Chinese medicines for kidney disease in the PRC. The gross profit margin of our kidney repair and edema alleviation granule were 53.0%, 33.9%, 38.6% and 39.6% for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. The general decrease during the Track Record Period was primarily due to the increase of prices of Chinese herb C and ginseng (人參), two of its major raw materials, which has been partially offset by the decreasing average production costs for our kidney repair and edema alleviation granule as sales and production volume of this product increased substantially. Our other kidney medicines recorded losses of RMB75,000, RMB33,000 and RMB107,000 for the two years ended 31 December 2010 and 2011 and the six months ended 30 June 2013, respectively, primarily due to inventory write-downs resulting from obsolescence and the decrease in net realisable values of our jin-gang pills (金剛丸) and renal supplement and impotence cure oral solution (補腎填精口服液). For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the gross profit margin for our gadopentetate dimeglumine injection were 90.7%, 85.7%, 83.9% and 84.7%, respectively. The general decrease during the Track Record Period was primarily due to increased labour cost and increased prices of the major raw materials used for its production. For further details of the historical prices of the major raw materials used for our production during the Track Record Period, please refer to the section headed "BUSINESS – RAW MATERIALS" in this prospectus. Please also refer to the section headed "FINANCIAL INFORMATION – REVIEW OF HISTORICAL OPERATING RESULTS" in this prospectus for further discussion of the impact on our results.

For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, our gross profit margin for our other medicines were 7.9%, 18.0%, 8.7% and 17.8%, respectively. The increase in gross profit margin for other medicines for the year ended 31 December 2011 was mainly due to the increase in sales of compound amino acid injection (18AA-V) which had gross profit margin higher than the average of our other medicines, while the decrease of gross profit margin for other medicines for the year ended 31 December 2012 was mainly due to (i) the decrease in gross profit margin of compound amino acid injection (18AA-V) and erythromycin estolate suspension resulting from the increase in their costs of raw materials and other production costs; and (ii) our cessation of sales of rifampin capsule (II) (利福平(II)膠囊) in October 2012 as a result of the adjustment in our product offering. The increase in gross profit margin for our other medicines for the six months ended 30 June 2013 was mainly due to the increase in gross profit margin of iron dextran oral solution and doxofylline and glucose injection as a result of reduced average production cost of such products resulting from increased production efficiency, and the engagement of additional third party distributors who were previously sub-distributors of our other medicines. Our overall gross profit margin were 79.0%, 75.5%, 75.7% and 78.1% for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013.

Other revenue

Other revenue primarily consists of government grants and interest income on bank deposits. A majority of the government grants were provided by the local government of the PRC on an unconditional basis as subsidies for specific research and development projects and subsidies for supporting the development of local enterprises in Tongliao, Inner Mongolia autonomous region. Such unconditional government grants amounted to RMB38.7 million, RMB10.4 million, RMB16.9 million and RMB0.3 million for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. To the best knowledge of our Directors, the PRC governmental authorities will assess the contribution made to the domestic region, in terms of capital investment, employment opportunities, amount of tax paid, development needs and the financial conditions and policy of the local government, in determining whether to grant the subsidies to our Group. Our Directors believe that the technical requirements, feasibility and innovative level of the subject of research and development will also be considered by the PRC government authorities when assessing subsidies for research and development projects. The remaining government grants were conditionally provided depending on the progress of the specific research and development projects and depending on the progress of construction of buildings on a piece of land owned by us and situated in Tongliao, Inner Mongolia autonomous region.

It is in the local government's sole discretion to decide whether and when to provide government grants to our Group, there is no guarantee that the local government will continue to provide government grants to our Group in the future. Please refer to the section headed "RISK FACTORS – RISKS RELATING TO THE PRC – We may be affected by the changes in or cessation of income tax incentives and government grants" in this prospectus for more details.

Distribution costs

Distribution costs primarily consist of salaries and employee benefit expenses for employees engaging in marketing and distribution activities, travelling and accommodation expenses of our marketing representatives visiting hospitals, medical institutions and pharmacies across the PRC, marketing and entertainment expenses, office and communication expenses, transportation expenses in relation to fuel, toll and repair and maintenance for vehicles of our Group and our staff incurred during the course of business and other expenses relating to marketing and distribution activities such as expenses for organising conferences and seminars and advertisement costs.

The following table sets out the components of our distribution costs and as a percentage of turnover for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2010		2011		2012		2012		2013	
Distribution costs	*RMB ('000)*	*% of turnover*	*RMB ('000)*	*% of turnover*	*RMB ('000)*	*% of turnover*	*RMB ('000) (Unaudited)*	*% of turnover*	*RMB ('000)*	*% of turnover*
Salaries and employee benefit expenses	34,667	11.4	33,228	8.5	44,967	9.8	18,682	10.3	25,817	11.3
Travelling and accommodation expenses	26,986	8.9	23,810	6.1	25,026	5.5	7,766	4.3	10,509	4.6
Marketing and entertainment expenses	24,528	8.1	24,368	6.3	30,545	6.7	10,684	5.9	18,415	8.1
Office and communication expenses	19,595	6.4	17,147	4.4	15,362	3.4	7,020	3.9	9,724	4.3
Transportation expenses	6,406	2.1	5,859	1.5	7,118	1.5	2,813	1.5	4,560	2.0
Others	15,460	5.1	11,729	3.0	12,478	2.7	6,708	3.6	4,302	1.8
Total	127,642	42.0	116,141	29.8	135,496	29.6	53,673	29.5	73,327	32.1

For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, our distribution costs amounted to RMB127.6 million, RMB116.1 million, RMB135.5 million and RMB73.3 million, respectively. During the same periods, as a percentage of our turnover, our distribution costs were 42.0%, 29.8%, 29.6% and 32.1%, respectively. The general decrease in the proportion of our distribution costs to our turnover during the Track Record Period was mainly attributable to the increase in our turnover, our efforts in tightening our control over marketing and distribution costs, and improved operating efficiency as a result of economies of scale. Such decrease was offset by the expenses for the incentive scheme payable by way of annual bonus to our marketing staff introduced in January 2012, the salary increase of our marketing staff which took effect in January 2013, and the increased marketing efforts of our marketing team during the six months ended 30 June 2013.

We incurred significant travelling and accommodation expenses and marketing and entertainment expenses during the Track Record Period as our team of over 550 marketing representatives are required to travel to hospitals, medical institutions and pharmacies across the PRC to promote our products by sharing specialist knowledge and information with medical practitioners there.

Administrative expenses

Administrative expenses primarily consist of research and development expenses, salaries and employee benefit expenses for employees engaged in administrative activities, depreciation and amortisation, office expenses, travelling and entertainment expenses, provision for doubtful debts, various local taxes and other expenses in connection with our administrative activities. The following table sets out the components of our administrative expenses and as a percentage of turnover for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2010		2011		2012		2012		2013	
Administrative expenses	*RMB ('000)*	*% of turnover*	*RMB ('000)*	*% of turnover*	*RMB ('000)*	*% of turnover*	*RMB ('000) (Unaudited)*	*% of turnover*	*RMB ('000)*	*% of turnover*
Research and development expenses	12,791	4.2	14,312	3.7	13,423	2.9	5,368	3.0	4,771	2.1
Salaries and employee benefit expenses	8,024	2.6	8,762	2.3	8,861	1.9	3,583	2.0	5,914	2.6
Depreciation and amortisation	3,727	1.2	3,711	1.0	3,759	0.8	1,368	0.7	1,245	0.5
Office expenses	7,417	2.4	7,571	1.9	10,454	2.3	5,025	2.7	2,368	1.0
Travelling and entertainment expenses	2,453	0.8	2,089	0.5	2,555	0.6	781	0.4	1,177	0.5
Provision for doubtful debts	3,314	1.1	1,128	0.3	779	0.2	648	0.4	228	0.1
Others	11,263	3.8	11,795	3.0	10,890	2.4	5,867	3.2	9,718	4.3
Total	48,989	16.1	49,368	12.7	50,721	11.1	22,640	12.4	25,421	11.1

Despite our business growth, we managed to maintain our administrative expenses at a relatively stable level during the Track Record Period. For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, our administrative expenses amounted to RMB49.0 million, RMB49.4 million, RMB50.7 million and RMB25.4 million, respectively. During the same periods, as a percentage of our turnover, our administrative expenses were 16.1%, 12.7%, 11.1% and 11.1%, respectively. The decrease in percentage is mainly attributable to our improved operating efficiency as a result of economies of scale. Research and development expenses was the largest component of our administrative expenses for the three years ended 31 December 2010, 2011 and 2012, and accounted for 26.1%, 29.0% and 26.5% of our administrative expenses for the same periods. Our research and development expenses primarily comprised the costs for raw materials used in the trials for our product candidates. During the Track Record Period, all of our research and development expenses were charged as expenses instead of capitalised as intangible assets according to the relevant accounting standards. In order to qualify for capitalisation, it must be demonstrated that research and development expenses of a pharmaceutical product can be measured reliably and such pharmaceutical product is capable of generating future economic benefits with required verifications and production approvals. During the Track Record Period, none of our product candidates obtained the relevant production approvals.

Other administrative expenses increased substantially for the six months ended 30 June 2013 and accounted for 38.2% of our administrative expenses for the same period, which primarily comprised listing expenses incurred and other tax surcharges.

Other net (loss)/income

Our other net loss primarily consists of loss on disposal of fixed assets, including obsolete office supplies, computers, printers, air-conditioners and research and development devices.

Income tax

Income tax represents the amounts of income tax we paid in the PRC. Our income were not subject to Hong Kong profits tax or any income tax in the Cayman Islands and the BVI during the Track Record Period.

Under the PRC EIT Law, the enterprise income tax for both domestic and foreign investment enterprises was unified at 25%. Accordingly, the taxable income for all subsidiaries of our Company which are in the PRC is subject to an income tax rate of 25%. However, there is a transition period for enterprises that currently receive preferential tax treatment granted by relevant tax authorities. Enterprises that are subject to an income tax rate lower than 25% may continue to enjoy the lower rate and gradually transfer to the new rate within five years after the effective date of the PRC EIT Law. Enterprises that were currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

Prior to 1 January 2008, Consun (Inner Mongolia), being a production-oriented foreign investment enterprise, was entitled to a two-year full exemption from income tax followed by a three-year 50% reduction in income tax rate (the "**2+3 tax holiday**") starting from the first profit-making year. Under the PRC EIT Law and its relevant regulations, the 2+3 tax holiday is subject to a grandfather arrangement until the original expiry on the condition that the first year of the 2+3 tax holiday must commence by 1 January 2008. Accordingly, Consun (Inner Mongolia) started to enjoy the 2+3 tax holiday in 2008, and was exempted from PRC income tax for the year ended 31 December 2008 and 2009. It is subject to PRC income tax at the rate of 12.5% for the three years ended 31 December 2010, 2011 and 2012.

Both GZ Consun and Consun (Inner Mongolia) were granted the "High and New Technology Enterprise" (高新技術企業) status and were entitled to the preferential income tax rate of 15%. GZ Consun was entitled to the preferential income tax rate of 15% for the three years ended 31 December 2008, 2009 and 2010, and after it successfully renewed its "High and New Technology Enterprise" status, was able to continue to enjoy the preferential income tax rate of 15% for a further three year period ending 31 December 2013. Consun (Inner Mongolia) was entitled to the preferential income tax rate of 15% from the year ended 31 December 2012 to the year ending 31 December 2014.

Please also refer to note 5 to our consolidated financial statements included in "APPENDIX I – ACCOUNTANTS' REPORT" to this prospectus for a more detailed discussion on our income tax.

Non-controlling interest

Non-controlling interest represents the interest not held by us in the results of our subsidiary, Kangyuan. Non-controlling interest is presented in the consolidated income statements as an allocation of the total profit or loss for the year between non-controlling interest and the equity shareholders of our Company. During the year ended 31 December 2010, our loss attributable to non-controlling interest amounted to RMB67,000.

On 19 March 2010, our Group acquired the 36.7% equity interest in Kangyuan and Kangyuan became our wholly-owned subsidiary upon completion of such acquisition. Since then, there was no non-controlling interest.

CONSOLIDATED RESULTS OF OPERATION

Our consolidated income statements for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 as set out below are derived from our consolidated financial statements included in "APPENDIX I – ACCOUNTANTS' REPORT" to this prospectus.

	For the year ended 31 December			For the six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB ('000)	*RMB ('000)*	*RMB ('000)*	*RMB ('000)* *(Unaudited)*	*RMB ('000)*
Turnover	303,713	389,305	457,801	181,919	228,390
Cost of sales	(63,728)	(95,507)	(111,112)	(46,455)	(50,023)
Gross profit	239,985	293,798	346,689	135,464	178,367
Other revenue	40,043	17,221	20,517	18,704	1,082
Distribution costs	(127,642)	(116,141)	(135,496)	(53,673)	(73,327)
Administrative expenses	(48,989)	(49,368)	(50,721)	(22,640)	(25,421)
Other net (loss)/income	(68)	(103)	(1,927)	690	(118)
Profit before taxation	103,329	145,407	179,062	78,545	80,583
Income tax	(24,071)	(38,106)	(42,856)	(18,445)	(21,517)
Profit for the year/period	79,258	107,301	136,206	60,100	59,066
Attributable to:					
Equity shareholders of our Company	79,325	107,301	136,206	60,100	59,066
Non-controlling interest	(67)	–	–	–	–
Profit for the year/period	79,258	107,301	136,206	60,100	59,066

REVIEW OF HISTORICAL OPERATING RESULTS

Six months ended 30 June 2013 compared to six months ended 30 June 2012

Turnover

Our turnover increased by approximately 25.5% from RMB181.9 million for the six months ended 30 June 2012 to RMB228.4 million for the six months ended 30 June 2013, primarily as a result of increased sales. Our increased sales was largely driven by the increase in sales of our uremic clearance granule of approximately 30.9% from RMB130.7 million for the six months ended 30 June 2012 to RMB171.1 million for the six months ended 30 June 2013, and the increase in sales of our gadopentetate dimeglumine injection of approximately 31.4% from RMB30.7 million for the six months ended 30 June 2012 to RMB40.3 million for the six months ended 30 June 2013.

The increased sales of our kidney medicines and medical contrast medium, including our uremic clearance granule and gadopentetate dimeglumine injection, was mainly the result of (i) our increased marketing efforts including our extended marketing coverage of different departments in hospitals and our deepened market penetration; and (ii) an increase in overall market demand for oral modern Chinese medicines for kidney disease and MRI medical contrast medium in the PRC, driven mainly by the increased awareness of chronic kidney disease and the public's increasing recognition in the distinguished curative effects of modern Chinese medicines in comprehensive conditioning and its mild side effect in treating kidney disease and its convenient intake method, and the increased awareness of screening and diagnosis of internal diseases.

The increased sales of our kidney medicines and medical contrast medium was partially offset by the decrease in sales of our other medicines of 30.3% from RMB18.7 million for the six months ended 30 June 2012 to RMB13.0 million for the six months ended 30 June 2013, representing approximately 10.2% and 5.7%, respectively, of our revenue for the same periods. Such decrease was mainly due to our cessation of sales of thrombolytic injection (血栓通注射液) in September 2012, and the reduced sales of compound amino acid injection (18AA-V) of approximately 48.2% due to reduced orders placed by our third party distributors as a result of the imposition of maximum retail price by the governmental authorities in February 2013.

Cost of sales

Our cost of sales increased by approximately 7.7% from RMB46.5 million for the six months ended 30 June 2012 to RMB50.0 million for the six months ended 30 June 2013. The increase in our cost of sales was primarily the result of an increase in the cost of raw materials of approximately 7.3%, mainly due to increased production volume driven by increased demand and sales of our products.

The increase in cost of sales was also attributable to the increased cost of sales for our kidney medicines of 34.4% from RMB24.7 million for the six months ended 30 June 2012 to RMB33.1 million for the six months ended 30 June 2013, primarily as a result of its increased production volume driven by increased demand and sales together with the increased price of Chinese herb A, a major raw material for the production of our uremic clearance granule. Please also refer to section headed "BUSINESS – RAW MATERIALS" for further details of the historical prices of major raw materials used for our production during the Track Record Period. To a lesser extent, the increase in cost of sales was also attributable to the increased cost of sales for our medical contrast medium of 29.0% from RMB4.8 million for the six months ended 30 June 2012 to RMB6.2 million for the six months ended 30 June 2013, primarily as a result of its increased production volume driven by increased demand and sales.

The increase in cost of sales for kidney medicines and medical contrast medium was partially offset by the decrease in cost of sales of other medicines by approximately 37.1%, mainly as a result of our cessation of sales of thrombolytic injection in September 2012, and the reduced sales of compound amino acid injection (18AA-V).

Gross profit and gross profit margin

Our gross profit increased by approximately 31.7% from RMB135.5 million for the six months ended 30 June 2012 to RMB178.4 million for the six months ended 30 June 2013, primarily as a result of an increase in the sales of our products during the period. Gross profit generated from the sales of our kidney medicines increased by 31.5% from RMB107.9 million for the six months ended 30 June 2012 to RMB141.9 million for the six months ended 30 June 2013, mainly attributable to the increase in gross profit of our uremic clearance granule by approximately 31.0% from RMB107.2 million for the six months ended 30 June 2012 to RMB140.4 million for the six months ended 30 June 2013. Gross profit generated from the sales of our medical contrast medium increased by 31.9% from RMB25.9 million for the six months ended 30 June 2012 to RMB34.2 million for the six months ended 30 June 2013. Gross profit generated from the sales of our other medicines increased by 37.3% from RMB1.7 million for the six months ended 30 June 2012 to RMB2.3 million for the six months ended 30 June 2013, despite the decrease in the turnover of our other medicines by approximately 30.3%. The increase in gross profit of our other medicines was mainly due to (i) the reduced sales of our compound amino acid injection (18AA-V) which had a relatively lower gross profit margin due to reduced orders placed by our third party distributors as a result of the imposition of maximum retail price by the PRC government in February 2013; (ii) the cessation of sales of thrombolytic injection which had a relatively lower gross profit margin; (iii) the increase in sales of our iron dextran oral solution which has a relatively higher gross profit margin; and (iv) the engagement of additional third party distributors who were previously sub-distributors of our other medicines. Due to such change of product offering of our other medicines, the percentage increase of our gross profit is higher than the percentage increase of our turnover for the same period.

Our overall gross profit margin increased from 74.5% for the six months ended 30 June 2012 to 78.1% for the six months ended 30 June 2013, mainly due to the increase in the gross profit margin for our other medicines from 9.0% for the six months ended 2012 to 17.8% for the six months ended 30 June 2013, due to the factors described above.

Other revenue

Our other revenue decreased by approximately 94.2% from RMB18.7 million for the six months ended 30 June 2012 to RMB1.1 million for the six months ended 30 June 2013, mainly as a result of the lesser government grants received during the six months ended 30 June 2013.

Distribution costs

Distribution costs increased by approximately 36.6% from RMB53.7 million for the six months ended 30 June 2012 to RMB73.3 million for the six months ended 30 June 2013, primarily as a result of the increase in the number of our marketing representatives as we continued to expand our marketing team and the salary increase for our marketing staff which took effect in January 2013. Our travelling and accommodation expenses and our marketing and entertainment expenses have also increased along with the expansion of our marketing team and as we increased our marketing efforts to hospitals, medical institutions and pharmacies in the more rural areas to deepen market penetration.

Administrative expenses

Administrative expenses increased by approximately 12.3% from RMB22.6 million for the six months ended 30 June 2012 to RMB25.4 million for the six months ended 30 June 2013, primarily as a result of the increase in other administrative expenses which mainly comprised listing expenses incurred and other tax surcharges. The increase in administrative expenses was also attributable to the increase in salaries and employee benefit expenses as we increased the salaries of our administrative staff in January 2013 and recruited more senior administrative staff during the six months ended 30 June 2013. The increase in our administrative expenses was partially offset by the decrease in research and development expenses resulting from the delay of the trial process of one of our CT medical contrast medium product candidates, and the decrease in office expenses, which was mainly due to the one-off expense relating to business consultancy services incurred during the six months ended 30 June 2012. Our administrative expenses as a percentage of our turnover remains relatively stable at 12.4% and 11.1% for the six months ended 30 June 2012 and 2013, respectively.

Profit before taxation

Profit before taxation increased by approximately 2.6% from RMB78.5 million for the six months ended 30 June 2012 to RMB80.6 million for the six months ended 30 June 2013, primarily as a result of the factors described above.

Income tax

Income tax increased by approximately 16.7% from RMB18.4 million for the six months ended 30 June 2012 to RMB21.5 million for the six months ended 30 June 2013. Our effective tax rate increased from 23.5% for the six months ended 30 June 2012 to 26.7% for the six months ended 30 June 2013. The increase in income tax was primarily the result of an increase in profit before taxation. The increase in our effective tax rate was mainly due to the expiry of the 2+3 tax holiday for Consun (Inner Mongolia) at the end of 2012 and the increased effect of non-tax-deductible expenses, including our marketing and entertainment expenses which exceeded the deductible limit and listing expenses.

Profit for the period

Due to the factors described above, our profit for the period decreased slightly by 1.7% from RMB60.1 million for the six months ended 30 June 2012 to RMB59.1 million for the six months ended 30 June 2013.

Year ended 31 December 2012 compared to year ended 31 December 2011

Turnover

Our turnover increased by approximately 17.6% from RMB389.3 million for the year ended 31 December 2011 to RMB457.8 million for the year ended 31 December 2012, primarily as a result of increased sales. Our increased sales was largely driven by the increase in sales of our uremic clearance granule of approximately 15.4% from RMB301.4 million for the year ended 31 December 2011 to RMB347.7 million for the year ended 31 December 2012, the growth rate of which has slightly slowed down when compared to the prior year mainly as a result of the increased competition in the market of oral modern Chinese medicines for kidney disease in the PRC. Our increased sales was also driven by the increase in sales of our gadopentetate dimeglumine injection of approximately 26.3% from RMB51.7 million for the year ended 31 December 2011 to RMB65.3 million for the year ended 31 December 2012.

The increased sales of our kidney medicines and medical contrast medium, including our uremic clearance granule and gadopentetate dimeglumine injection, was mainly the result of (i) our increased marketing efforts including our extended marketing coverage of different departments in hospitals and our deepened market penetration; and (ii) an increase in overall market demand in the PRC for oral modern Chinese medicines for kidney disease and MRI medical contrast medium, driven mainly by the increased awareness of chronic kidney disease and the public's increasing recognition in the distinguished curative effects of modern Chinese medicines in comprehensive conditioning and its mild side effect in treating kidney disease and its convenient intake method, and the increased awareness of screening and diagnosis of internal diseases.

Cost of sales

Our cost of sales increased by approximately 16.3% from RMB95.5 million for the year ended 31 December 2011 to RMB111.1 million for the year ended 31 December 2012, largely in line with the percentage increase of our turnover for the year. The increase in our cost of sales was primarily the result of an increase in the costs of raw materials of approximately 18.2%, mainly due to increased production volume driven by the increased demand and sales of our products. The increase in our cost of sales was also attributable to the increased cost of sales for our medical contrast medium of approximately 42.5% primarily as a result of the increased production volume driven by increased demand and sales of our medical contrast medium and the increased price of meglumine (葡甲胺), a major raw material used for the production of our gadopentetate dimeglumine injection, which has been slightly offset by the decreased price of gadolinium oxide (氧化釓), another major raw material for the production of our gadopentetate dimeglumine injection.

To a lesser extent, the increase in our cost of sales was also attributable to the increased cost of sales for our kidney medicines of approximately 6.7%, primarily as a result of the increase in price of Chinese herb A, a major raw material of our uremic clearance granule. Please also refer to section headed "BUSINESS – RAW MATERIALS" for further details of the historical prices of major raw materials used for our production during the Track Record Period.

Gross profit and gross profit margin

Gross profit increased by approximately 18.0% from RMB293.8 million for the year ended 31 December 2011 to RMB346.7 million for the year ended 31 December 2012, primarily as a result of an increase in the sales of our products, and largely in line with the percentage increase of our turnover during the year. Gross profit generated from the sales of our kidney medicines and medical contrast medium increased by approximately 18.5% and 23.6%, respectively, from RMB243.4 million and RMB44.3 million, respectively, for the year ended 31 December 2011 to RMB288.5 million and RMB54.7 million, respectively, for the year ended 31 December 2012, mainly attributable to the increase in gross profits of our uremic clearance granule by approximately 18.0% and gadopentetate dimeglumine injection by approximately 23.6%. These increases have been slightly offset by the decrease in gross profit generated from the sales of our other medicines of approximately of 43.5% from RMB6.1 million for the year ended 31 December 2011 to RMB3.5 million for the year ended 31 December 2012, primarily as a result of (i) the decrease in profit margin of compound amino acid injection (18AA-V) and erythromycin estolate suspension due to the increase in their costs of raw materials and other production costs; and (ii) our cessation of sales of rifampin capsule (II) in October 2012 as a result of the adjustment in our product offering.

Our overall gross profit margin experienced a slight increase from 75.5% for the year ended 31 December 2011 to 75.7% for the year ended 31 December 2012, due to the factors described above. The increase in gross profit margin for our kidney medicines from 80.2% to 81.8% was mainly attributable to the increase in gross profit margin of our uremic clearance granule from 80.6% to 82.4%. The increase was offset by the decrease in gross profit margin for our medical contrast medium from 85.7% to 83.9% and for our other medicines from 18.0% to 8.7%.

Other revenue

Our other revenue increased by approximately 19.1% from RMB17.2 million for the year ended 31 December 2011 to RMB20.5 million for the year ended 31 December 2012, primarily due to the increase in the unconditional government grants provided by the local government of Tongliao, Inner Mongolia autonomous region to support the development of local enterprises in the region and the increase in the interest income on bank deposits.

Distribution costs

Distribution costs increased by approximately 16.7% from RMB116.1 million for the year ended 31 December 2011 to RMB135.5 million for the year ended 31 December 2012. This increase was largely in line with the percentage increase of our turnover for the year and was primarily the result of the introduction of the incentive scheme for our marketing employees in January 2012 which resulted in increased salaries and employee benefit expenses. The increase in our distribution costs is also attributable to our increased marketing efforts, such as organising more conferences and seminars for different departments in the hospitals and increased investment in advertising and promotional activities, which also resulted in higher travelling and accommodation expenses, transportation expenses, marketing and entertainment expenses and office and communication expenses relating to marketing activities. Our distribution costs as a percentage of our turnover remained relatively stable at 29.6% for the year ended 31 December 2012 compared to 29.8% for the year ended 31 December 2011.

Administrative expenses

Administrative expenses increased by approximately 2.7% from RMB49.4 million for the year ended 31 December 2011 to RMB50.7 million for the year ended 31 December 2012, primarily as a result of an increase in office expenses and travelling and entertainment expenses as our business continued to grow. Our administrative expenses as a percentage of our turnover decreased slightly from approximately 12.7% for the year ended 31 December 2011 to approximately 11.1% for the year ended 31 December 2012 as we continued to improve operating efficiency as a result of economies of scale.

Profit before taxation

Profit before taxation increased by approximately 23.1% from RMB145.4 million for the year ended 31 December 2011 to RMB179.1 million for the year ended 31 December 2012, primarily as a result of the factors described above.

Income tax

Income tax increased by approximately 12.5% from RMB38.1 million for the year ended 31 December 2011 to RMB42.9 million for the year ended 31 December 2012. Our effective tax rate decreased from 26.2% for the year ended 31 December 2011 to 23.9% for the year ended 31 December 2012. The increase in income tax was primarily the result of an increase in profit before taxation. The decrease in effective tax rate was mainly due to the effect of tax concession and the increased proportion of income contributed by Consun (Inner Mongolia), our PRC subsidiary that enjoyed preferential tax treatment, as a result of the increased sales of our uremic clearance granule.

Profit for the year

Due to the factors described above, our profit for the year increased by 26.9% from RMB107.3 million for the year ended 31 December 2011 to RMB136.2 million for the year ended 31 December 2012.

Year ended 31 December 2011 compared to year ended 31 December 2010

Turnover

Our turnover increased by approximately 28.2% from RMB303.7 million for the year ended 31 December 2010 to RMB389.3 million for the year ended 31 December 2011, primarily as a result of increased sales, which was largely driven by the increase in sales of our uremic clearance granule of approximately 29.8% from RMB232.2 million for the year ended 31 December 2010 to RMB301.4 million for the year ended 31 December 2011.

The increased sales of our products, including uremic clearance granule was mainly the result of our increased marketing efforts including our extended marketing coverage of different departments in hospitals and our deepened market penetration and the results of our efforts in monitoring and enhancing the quality of the third party distributors during the year. We terminated or discontinued our contractual relationship with 62 third party distributors with small purchase amount or less competitive distribution coverage during the year ended 31 December 2011. Please also refer to the section headed "BUSINESS – MARKETING AND DISTRIBUTION – Our customers – Distributors" in this prospectus for further details. Our increased sales was also attributable to the increase in overall market demand for oral modern Chinese medicines for kidney disease, driven mainly by the increased awareness of chronic kidney disease and the public's increasing recognition in the distinguished curative effects of modern Chinese medicines in comprehensive conditioning and its mild side effect in treating kidney disease and its convenient intake method.

Cost of sales

Our cost of sales increased by approximately 49.9% from RMB63.7 million for the year ended 31 December 2010 to RMB95.5 million for the year ended 31 December 2011. The increase in our cost of sales was primarily due to an increase in the cost of raw materials of approximately 53.5%, primarily the result of increased production volume driven by the increased demand and sales of our kidney medicines and the increase in the prices of the major raw materials for our kidney medicines (including Chinese herb A, Chinese herb B, atractylodes macrocephala koidz (白朮), processed polygonum multiflorum root (制何首烏) and poria cocos (茯苓)), which contributed to the increase in the cost of sales for our kidney medicines by approximately 74.2% from RMB34.6 million for the year ended 31 December 2010 to RMB60.2 million for the year ended 31 December 2011.

The increase in our cost of sales was also attributable to the increased cost of sales for our medical contrast medium of approximately 82.6%, primarily the result of increased production volume driven by the increased demand and sales of our medical contrast medium coupled with the significant increase in the price of gadolinium oxide, a major raw material for our gadopentetate dimeglumine injection. Please also refer to section headed “BUSINESS – RAW MATERIALS” for further details of the historical prices of major raw materials used for our production during the Track Record Period.

In addition, the increase in our cost of sales was also due to an increase in direct labour cost of approximately 64.1%, primarily as a result of an increase in production volume driven by the increased demand and sales of our products.

Gross profit and gross profit margin

Gross profit increased by approximately 22.4% from RMB240.0 million for the year ended 31 December 2010 to RMB293.8 million for the year ended 31 December 2011, primarily as a result of an increase in the sales of our products during the year. The percentage increase of our gross profit is less than the percentage increase of our turnover for the same period, primarily as a result of the increase in the cost of sales for our kidney medicines and our medical contrast medium which was primarily due to the increase in the cost of major raw materials for the production of our kidney medicines and our medical contrast medium during the year.

Our overall gross profit margin decreased by approximately 4.4% from 79.0% for the year ended 31 December 2010 to 75.5% for the year ended 31 December 2011, primarily due to the factors described above. The decrease in gross profit margin for our kidney medicines from 85.2% for the year ended 31 December 2010 to 80.2% for the year ended 31 December 2011 was mainly attributable the decrease in gross profit margin of our uremic clearance granule from 85.3% for the year ended 31 December 2010 to 80.6% for the year ended 31 December 2011.

Other revenue

Our other revenue decreased by approximately 57.0% from RMB40.0 million for the year ended 31 December 2010 to RMB17.2 million for the year ended 31 December 2011. This was mainly due to the government grants of RMB38.7 million which mainly included the local government of Tongliao, Inner Mongolia autonomous region for supporting the development of local enterprises after our acquisition of Kangyuan during the year ended 31 December 2010.

Distribution costs

Distribution costs decreased by approximately 9.0% from RMB127.6 million for the year ended 31 December 2010 to RMB116.1 million for the year ended 31 December 2011, primarily as a result of a decrease in the number of our marketing staff and the departure of two of the managers in our marketing team during the year ended 31 December 2011 and our efforts in strengthening internal control during the year ended 31 December 2011. We managed to control travelling and accommodation expenses, transportation expenses and office and communication expenses relating to marketing activities without hindering our business growth, following the integration of the sales network of Kangyuan with our own sales network in 2011. As a result of the above and the increase in our turnover, our distribution costs as a percentage of our turnover decreased from 42.0% for the year ended 31 December 2010 to 29.8% for the year ended 31 December 2011.

Administrative expenses

Administrative expenses increased by approximately 0.8% from RMB49.0 million for the year ended 31 December 2010 to RMB49.4 million for the year ended 31 December 2011, primarily as a result of the increase in our research and development expenses as we continued to focus on research and development activities; and the increase in the general level of salaries and employee benefit expenses for employees engaged in administrative activities. The increase was slightly offset by the decrease in the provision of doubtful debts which we provided for after our acquisition of the remaining 36.7% equity interest in Kangyuan in 2010. Our administrative expenses as a percentage of our turnover decreased from 16.1% for the year ended 31 December 2010 to 12.7% for the year ended 31 December 2011, as we continued to improve operating efficiency as a result of economies of scale.

Profit before taxation

Profit before tax increased by approximately 40.7% from RMB103.3 million for the year ended 31 December 2010 to RMB145.4 million for the year ended 31 December 2011, primarily as a result of the factors described above.

Income tax

Income tax increased by approximately 58.3% from RMB24.1 million for the year ended 31 December 2010 to RMB38.1 million for the year ended 31 December 2011. Our effective tax rate increased from 23.3% for the year ended 31 December 2010 to 26.2% for the year ended 31 December 2011. The increase in income tax was primarily the result of an increase in profit before taxation. The increase in effective tax rate was mainly due to the lesser amounts of tax concession enjoyed in 2011 and the decreased proportion of income contributed by Consun (Inner Mongolia), our PRC subsidiary that enjoyed preferential tax treatment, when compared to the prior year, as a result of the decrease in government grants received by Consun (Inner Mongolia) in 2011.

Profit for the year

Due to the factors described above, our profit for the year increased by 35.4% from RMB79.3 million for the year ended 31 December 2010 to RMB107.3 million for the year ended 31 December 2011.

Profit attributable to equity shareholders of our Company and non-controlling interest

Our profit attributable to equity shareholders was RMB79.3 million for the year ended 31 December 2010, after deduction of loss of RMB67,000 for the non-controlling interest which represents interests not held by us in the results of our subsidiary, Kangyuan. On 19 March 2010, our Group acquired the 36.7% equity interest in Kangyuan and Kangyuan became our wholly-owned subsidiary upon completion of such acquisition.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

The following table is a summary of our cash flow data for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB ('000)	*RMB ('000)*	*RMB ('000)*	*RMB ('000)* *(Unaudited)*	*RMB ('000)*
Net cash generated from operating activities	68,938	56,619	128,832	103,875	47,175
Net cash (used in)/ generated from investing activities	(16,270)	(29,817)	(111,464)	(11,885)	46,684
Net cash (used in)/ generated from financing activities	(70,685)	6,048	(484)	(13,600)	25,251
Net (decrease)/increase in cash and cash equivalents	(18,017)	32,850	16,884	78,390	119,110
Cash and cash equivalents at the beginning of the year	50,038	32,021	64,871	64,871	81,755
Cash and cash equivalents at the end of the year/period	32,021	64,871	81,755	143,261	200,865

Cash generated from operating activities

We derive our cash inflow from operating activities principally from the receipt of payments for the sale of our pharmaceutical products. Our cash outflow from operating activities is principally for purchases of raw materials and expenses for marketing activities and income tax payment.

For the six months ended 30 June 2013, we had net cash generated from operating activities of RMB47.2 million, which was primarily contributed by profit before taxation of RMB80.6 million and a decrease in trade and other receivables of RMB26.1 million. These cash inflow were partially offset by a decrease in trade and other payables of RMB35.0 million and payment of tax in the PRC of RMB25.6 million. The decrease in trade and other receivables was primarily the result of the subsequent settlement of our trade and other receivables balance as of 31 December 2012 during the six months ended 30 June 2013 and a lower sales level in the first half of the year compared to the second half of the year, especially in the fourth quarter, which normally have higher sales. The decrease in trade and other payables was primarily due to decreased purchase of raw materials as a result of a lower sales level in the first half of the year compared to the second half of the year.

For the year ended 31 December 2012, we had net cash generated from operating activities of RMB128.8 million, which was primarily contributed by profit before taxation of RMB179.1 million and an increase in trade and other payables of RMB23.9 million. These cash inflows were partially offset by an increase in trade and other receivables of RMB31.5 million and payment of tax in the PRC of RMB51.8 million. The increase in trade and other payables was primarily due to our increased purchase of raw materials as a result of an increase in volume of production and increased sales. The increase in trade and other receivables was primarily due to our sales growth.

For the year ended 31 December 2011, we had net cash generated from operating activities of RMB56.6 million, which was primarily contributed by profit before taxation of RMB145.4 million and a decrease in inventories of RMB14.6 million. These cash inflows were partially offset by an increase in trade and other receivables of RMB28.9 million, a decrease in trade and other payables of RMB64.6 million and payment of tax in the PRC of RMB20.5 million. The decrease in inventories was primarily due to our efforts in managing inventory levels and seeking to maintain an appropriate level of inventories. The increase in trade and other receivables was primarily due to our sales growth. The decrease in trade and other payables was primarily due to our efforts to settle payments with our suppliers timely.

For the year ended 31 December 2010, we had net cash generated from operating activities of RMB68.9 million, which was primarily contributed by profit before taxation of RMB103.3 million and an increase in trade and other payables of RMB24.3 million. These cash inflows were partially offset by an increase in trade and other receivables of RMB48.2 million, an increase in inventories of RMB15.5 million and payment of tax in the PRC of RMB8.3 million. The increase in trade and other payables was primarily due to our increased purchase of raw materials as a result of increase in volume of production and increased sales. The increase in trade and other receivables was primarily due to our sales growth. The increase in inventories was primarily due to increased inventory level of finished goods at the end of the year to be delivered to third party distributors in the beginning of 2011.

Cash (used in)/generated from investing activities

Our cash outflow for investing activities primarily consisted of payment of purchase of property, plant and equipment and payment for pledged deposit. Our cash inflow for investing activities primarily consisted of the proceeds from pledged deposit.

For the six months ended 30 June 2013, we had net cash generated from investing activities of RMB46.7 million, which was primarily due to the receipt of the proceeds from the pledged deposit of RMB76.5 million, details of which were set out in the paragraph for the cash used in investing activities for the year ended 31 December 2012 below. These cash inflows were partially offset by the payment of purchase of property, plant and equipment of RMB30.5 million which mainly related to the first phase of the construction of our production plant warehouses and ancillary facilities in Guangzhou, Guangdong province and the purchase and installation of production lines therein.

For the year ended 31 December 2012, we had net cash used in investing activities of RMB111.5 million, which was primarily due to payment of the pledged deposit of RMB76.5 million which were pledged to the bank to secure a financial guarantee issued by GZ Consun to Central Success, details of which were set out in the paragraph headed “Related Party Transactions” in this section, and the payment for purchase of property, plant and equipment of RMB37.3 million which mainly related to the construction of our production plants and ancillary facilities, and technical upgrading of our production facilities in our production base in Guangzhou, Guangdong province and Tongliao, Inner Mongolia autonomous region.

For the year ended 31 December 2011, we had net cash used in investing activities of RMB29.8 million, which was primarily due to the payment of purchase of property, plant and equipment of RMB31.6 million which mainly related to the construction of production plants and ancillary facilities in Guangzhou, Guangdong province and Tongliao, Inner Mongolia autonomous region.

For the year ended 31 December 2010, we had net cash used in investing activities of RMB16.3 million, which was primarily due to the payment of purchase of property, plant and equipment of RMB17.7 million which mainly related to the the construction of our production plants and ancillary facilities in our production base in Guangzhou, Guangdong province and Tongliao, Inner Mongolia autonomous region, and the construction of our office complex in Tongliao, Inner Mongolia autonomous region, and our payment for acquisition of Kangyuan of RMB3.0 million. These cash outflows were partially offset by the proceeds received from disposals of property, plant and equipment of RMB3.4 million during the year.

Cash (used in)/generated from financing activities

Our cash outflow for financing activities consisted of dividend payment, loan repayment and payment for the acquisition of non-controlling interest in Kangyuan while our cash inflow from financing activities related to a loan from the Finance Bureau of Tongliao City (通遼市財政局) and proceeds from issue of Shares.

For the six months ended 30 June 2013, we had net cash generated from financing activities of RMB25.3 million, which was primarily related to proceeds of a loan of RMB37.0 million granted to Consun (Inner Mongolia) by the Finance Bureau of Tongliao City, Inner Mongolia autonomous region. This cash inflow was offset by the dividends payment of RMB11.7 million during the period.

For the year ended 31 December 2012, we had net cash used in financing activities of RMB0.5 million, which was primarily related to repayment of loan of RMB13.6 million by Kangyuan to the Finance Bureau of Tongliao City and the dividends payment of RMB0.9 million. These cash outflows were offset by the proceeds from issuance of Shares from related parties of RMB14.0 million.

For the year ended 31 December 2011, we had net cash generated from financing activities of RMB6.0 million, which related to the grant of loan of RMB13.6 million to Kangyuan from the Finance Bureau of Tongliao City. This cash inflow was offset by the dividends payment of RMB7.6 million during the year.

For the year ended 31 December 2010, we had net cash used in financing activities of RMB70.7 million, which represents dividends paid during the year and payment for the acquisition of non-controlling interest in Kangyuan.

Net current assets

The following table sets out details of our current assets and current liabilities as of the dates indicated:

	As of 31 December			As of 30 June	As of 31 October
	2010	2011	2012	2013	2013
	RMB ('000)	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*	*RMB ('000) (Unaudited)*
Current assets					
Inventories	34,921	20,360	22,442	30,766	48,327
Trade and other receivables	204,755	230,720	264,391	244,105	244,093
Pledged deposits	–	–	76,470	–	–
Cash and cash equivalents	32,021	64,871	81,755	200,865	222,819
Current tax recoverable	–	–	–	8,860	–
	271,697	315,951	445,058	484,596	515,239
Current liabilities					
Trade and other payables	148,929	186,147	249,899	215,603	279,182
Loans and borrowings	–	13,600	–	37,000	17,000
Deferred income	1,350	2,100	900	–	–
Current tax payable	24,122	33,452	9,548	6,969	13,445
	174,401	235,299	260,347	259,572	309,627
Net current assets	97,296	80,652	184,711	225,024	205,612

As of 31 December 2010, 2011 and 2012 and 30 June 2013, our net current assets were RMB97.3 million, RMB80.7 million, RMB184.7 million and RMB225.0 million, respectively. The decrease in our net current assets from RMB97.3 million as of 31 December 2010 to RMB80.7 million as of 31 December 2011 was primarily due to the increase in our current liabilities, mainly represented the increase in our trade and other payables, the loan of RMB13.6 million granted by the Finance Bureau of Tongliao City, and the increased current tax payable due to increased turnover. Such increase in current liabilities was offset by the increase in current assets which mainly represented the increase in our trade and other receivables and cash and cash equivalents. The increase in our net current assets from RMB80.7 million as of 31 December 2011 to RMB184.7 million as of 31 December 2012 was primarily due to the increase in our inventories, trade and other receivables and cash and cash equivalents, and the pledged deposit of RMB76.5 million, which was offset by the increase in current liabilities which mainly represented the increased trade and other payables. The increase in our net current assets from RMB184.7 million as of 31 December 2012 to RMB225.0 million as of 30 June 2013 was primarily due to the increase in cash and cash equivalents of RMB119.1 million which was mainly due to the release of the pledged deposits of RMB76.5 million, current tax recoverable of RMB8.9 million which represents tax paid in advance by Consun (Inner Mongolia) and the decrease in trade and other payables, and was offset by the decrease in trade and other receivables and the addition of loan of RMB37.0 million granted by the Finance Bureau of Tongliao City. Please refer to the paragraph headed "CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION" in this section for further details of the movement of individual items.

As of 31 October 2013, being the latest practicable date for ascertaining the financial information of our Group, we had net current assets of RMB205.6 million. Our inventories as of 31 October 2013 was RMB48.3 million and increased from RMB30.8 million as of 30 June 2013 primarily as a result of the need to stock up our inventories prior to the suspension of production for upgrading our production line of gadopentetate dimeglumine injection in Guangzhou, Guangdong province for GMP compliance inspection by the relevant governmental authorities, which is expected to last for three to six months during late 2013 to early 2014. Our trade and other payables as of 31 October 2013 was RMB279.2 million and increased from RMB215.6 million as of 30 June 2013 primarily as a result of shareholders dividends of RMB51.6 million declared in October 2013.

Working capital

We have historically met our working capital needs primarily through cash generated from operating activities. After Listing, we expect to meet our working capital needs primarily through cash generated from operating activities and net proceeds of the Global Offering. Our Directors are of the opinion that, taking into consideration the financial resources presently available to our Group, including our cash generated from our operating activities and the estimated net proceeds of the Global Offering, our Group has sufficient working capital for its requirements for at least 12 months commencing from the date of this prospectus.

CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories consist of raw materials, work-in-progress and finished goods. The value of our inventories accounted for approximately 12.9%, 6.4%, 5.0% and 6.3% of our total current assets as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

The following table is a summary of our balance of inventories as of the dates indicated:

	As of 31 December			As of 30 June
	2010	**2011**	**2012**	**2013**
Inventories	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*
Raw materials	12,171	10,168	13,178	8,268
Work-in-progress	3,945	2,480	4,330	8,063
Finished goods	18,805	7,712	4,934	14,435
Total	34,921	20,360	22,442	30,766

Our inventories decreased by approximately 41.7% from RMB34.9 million as of 31 December 2010 to RMB20.4 million as of 31 December 2011 primarily due to our efforts in managing inventory levels and seeking to maintain an appropriate level of inventories, especially the finished goods. Our inventories increased by approximately 10.2% from RMB20.4 million as of 31 December 2011 to RMB22.4 million as of 31 December 2012 primarily due to increased purchase of raw materials and expansion of production to support the expansion of our business. Our inventories increased further by approximately 37.1% from RMB22.4 million as of 31 December 2012 to RMB30.8 million as of 30 June 2013, primarily due to the increase in finished goods as a result of the need to stock up our inventories prior to the suspension of production for upgrading our production line of gadopentetate dimeglumine injection in Guangzhou, Guangdong province for GMP compliance inspection by the relevant governmental authorities which is expected to last for three to six months during late 2013 to early 2014. Such increase was partially offset by the decrease in the inventory level of raw materials due to our continuing efforts to manage our overall inventory levels.

We will continue to actively monitor our inventory levels and seek to maintain a low level of inventory. We have employed an enterprise resource planning system to track the in-coming and out-going inventories. This system enables us to monitor levels of inventories on a timely basis so as to maintain an optimum level of raw materials and finished products. We also conduct stock take of our inventories on a weekly basis and monitor our third party distributors' inventory levels and sales volume on a monthly basis. We do not have a general provisioning policy for inventories but make assessments on provisions on a case-by-case basis. For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, we have written down inventories of RMB1.4 million, RMB0.4 million, RMB1.7 million and RMB0.3 million, respectively, which primarily related to the obsolescence and the decrease in net realisable values of our other medicines, and to a lesser extent, of our jin-gang pills and renal supplement and impotence cure oral solution in our inventories. These write-downs were recognised as expenses in the income statement for the respective periods.

The following table sets out the aging analysis of our inventories as of the dates indicated:

	As of 31 December			As of 30 June
	2010	**2011**	**2012**	**2013**
Aging analysis of inventories	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*
Within 1 year	33,753	18,700	21,406	29,800
1 to 3 years	673	1,375	920	634
Over 3 years	495	285	116	332
Total	34,921	20,360	22,442	30,766

As of 31 October 2013, approximately RMB29.2 million, or 94.9%, of our inventories as of 30 June 2013 were subsequently sold and charged to our income statement.

The following table sets out our average inventory turnover days for the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June
	2010	**2011**	**2012**	**2013**
Average inventory turnover days	155.7	105.6	70.3	96.3

Note: Average inventory turnover days is calculated as the average of the beginning and ending inventory balances for the period, divided by the cost of sales for that period, multiplied by 365 days (181 days in the case of six months ended 30 June 2013).

The production cycles of our key products, uremic clearance granule and gadopentetate dimeglumine injection, typically range between 9 to 12 days, and we normally keep approximately one month of finished goods in our inventories to meet our sales demand. We also try to maintain a reasonably sufficient inventory level of raw materials for the production of our uremic clearance granule for approximately 20 to 40 days, and certain chemicals and packaging materials for our gadopentetate dimeglumine injection for approximately 70 to 75 days.

The average inventory turnover days decreased from 155.7 days for the year ended 31 December 2010 to 105.6 days for the year ended 31 December 2011, and decreased further to 70.3 days for the year ended 31 December 2012, primarily as a result of our efforts in managing inventory levels, seeking to maintain an appropriate level of raw materials, work-in-progress and finished goods and matching our production plans and our sales forecasts. The average inventory turnover days increased from 70.3 days for the year ended 31 December 2012 to 96.3 days for the six months ended 30 June 2013, primarily as a result of the need to stock up our inventories prior to the suspension of production for upgrading our production line of gadopentetate dimeglumine injection in Guangzhou, Guangdong province for GMP compliance inspection by the relevant governmental authorities, which is expected to last for three to six months during late 2013 to early 2014.

Trade and other receivables

Our trade and other receivables primarily relate to trade and bills receivable for goods sold to our third party distributors, to which certain terms of credit are offered, in the ordinary course of business. We normally collect payment from our third party distributors before delivery in the form of cash or bank acceptance bills with maturities of no more than 180 days. For third party distributors with established business relationship and good credit history, a credit term of no more than 180 days may be granted. Credit terms are determined after taking into account of the business scale, credit history and distribution region of and type of pharmaceutical products purchased by our third party distributors.

In some cases, we may grant to our third party distributors a credit limit for up to three months at the beginning of each quarter, and such third party distributors are required to settle payment for their purchase on credit by the 25th day of the last month in that particular quarter. The maximum credit amount granted to a third party distributor in a particular year is 5% to 10% of the agreed annual sales target, depending on various criteria, including credit history and annual sales target of such third party distributor. No further credit will be provided for any subsequent placement of orders from these third party distributors once their maximum credit amount is exceeded and they are required to make payment to us before delivery of our pharmaceutical products. On a limited and case-by-case basis, we may grant similar credit limits for up to 12 months to our third party distributors at the beginning of a calendar year.

The following table sets out our turnover by credit terms for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2010		2011		2012		2012		2013	
Credit terms	*RMB ('000)*	*% of turnover*	*RMB ('000)*	*% of turnover*	*RMB ('000)*	*% of turnover*	*RMB ('000) (Unaudited)*	*% of turnover*	*RMB ('000)*	*% of turnover*
Nil[1]	277,806	91.5	368,870	94.8	422,980	92.4	168,460	92.6	199,284	87.3
Within 3 months[2]	25,907	8.5	15,110	3.9	24,337	5.3	8,465	4.7	21,725	9.5
3 to 12 months[3]	–	–	5,325	1.3	10,484	2.3	4,994	2.7	7,381	3.2
Total	303,713	100.0	389,305	100.0	457,801	100.0	181,919	100.0	228,390	100.0

Notes:

(1) This represents the amount that we request our customers to pay either by cash or by bank acceptance bills with maturities of no more than 180 days before delivery of our products.

(2) This represents the amount that we request our customers to pay either by cash or by bank acceptance bills with maturities of no more than 180 days who were granted credit terms of up to 3 months at the beginning of the quarter.

(3) This represents the amount that we request our customers to pay either by cash or by bank acceptance bills with maturities of no more than 180 days who were granted credit terms of up to 12 months at the beginning of the year.

A portion of our customers make payments by bank acceptance bills, with maturities of no more than 180 days. For the three years ended 31 December 2010, 2011 and 2012, and the six months ended 30 June 2013, we received bank acceptance bills of RMB265.9 million, RMB263.9 million, RMB400.1 million and RMB225.6 million (all including value-added tax) from our customers. Going forward, we target to increase the proportion of customers' settlement by cash instead of bank acceptance bills.

The following table is a summary of our trade and bills receivable as of the dates indicated:

	As of 31 December			As of 30 June
	2010	**2011**	**2012**	**2013**
	RMB ('000)	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*
Trade debtors	26,465	66,625	64,492	25,602
Bills receivable	152,503	156,426	192,090	178,029
Less: Allowance for doubtful debtors	(6,227)	(7,328)	(8,107)	(5,913)
Total	172,741	215,723	248,475	197,718

Trade debtors

As of 31 December 2010, 2011 and 2012 and 30 June 2013, our trade debtors amounted to RMB26.5 million, RMB66.6 million, RMB64.5 million and RMB25.6 million, respectively. The general increase in the balance of our trade debtors as of 31 December 2010, 2011 and 2012 primarily reflected the increase in our sales to third party distributors. The decrease in our trade debtors from RMB64.5 million as of 31 December 2012 to RMB25.6 million as of 30 June 2013 was primarily the result of the subsequent settlement of the trade debtors balance as of 31 December 2012 during the six months ended 30 June 2013 and a lower sales level in the first half of the year compared to the second half of the year, especially in the fourth quarter, which normally have higher sales.

Bills receivable

As of 31 December 2010, 2011 and 2012 and 30 June 2013, our bills receivable amounted to RMB152.5 million, RMB156.4 million, RMB192.1 million and RMB178.0 million, respectively. The increase in the balance of our bills receivable as of 31 December 2010, 2011 and 2012 primarily reflected the increase in our sales, and the increased use of bank acceptance bills by our third party distributors in settling their payment with us during the same periods. The decrease in the balance of our bills receivable during the six months ended 30 June 2013 was primarily the result of the subsequent settlement of the bills receivable balance as of 31 December 2012, a lower sales level in the first half of the year compared to the second half of the year, especially in the fourth quarter, which normally have higher sales, and our effort to encourage our customers to settle by cash or bank acceptance bills with shorter maturities.

Our management closely monitors the recoverability of our trade and bills receivable on a monthly basis, and when appropriate, provides for impairment for these trade and bills receivable. Provision will be made if the trade and bills receivable becomes past due for three years or if any of the following objective and observable evidence comes to our attention: (i) significant financial difficulty of the subject customer; (ii) a breach of contract, such as a default or delinquency in interest or principal payments; (iii) high possibility that the subject customer will enter bankruptcy, winding up or other financial reorganisation; and (iv) significant changes in the technological, market, economic or legal environment that have an adverse effect on the subject customer. We typically review the recovery status of our trade and bills receivable from the individual customer on a case-by-case basis. For those trade and bills receivable whose recovery is considered doubtful but not remote, impairment losses are recorded using an allowance account and will be written off when the management is satisfied that recovery is remote. Please refer to the paragraph headed "SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES – Impairment of assets – Impairment of investments in equity securities and other receivables" in this section for details. As of 31 December 2010, 2011 and 2012 and 30 June 2013, allowance for doubtful debtors amounted to RMB6.2 million, RMB7.3 million, RMB8.1 million and RMB5.9 million, respectively, which accounted for 3.6%, 3.4%, 3.3% and 3.0%, respectively, of our total trade and bills receivable as of the same dates. Our Directors believe that the provision for impairment of our trade and bills receivable is in line with industry practice.

The following table sets out the aging analysis of our trade debtors and bills receivable as of the dates indicated, based on the invoice date and net of allowance for doubtful debts:

	As of 31 December			As of 30 June
	2010	**2011**	**2012**	**2013**
Aging analysis of trade debtors and bills receivable	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*
Within 3 months	167,032	209,520	246,041	178,043
3 to 12 months	1,929	2,315	2,434	17,051
Over 12 months	3,780	3,888	–	2,624
Total	172,741	215,723	248,475	197,718

A majority of our trade debtors and bills receivable as of 31 December 2010, 2011 and 2012 and 30 June 2013 are aged within three months. Trade debtors and bills receivable aged between 3 to 12 months increased from RMB2.4 million as of 31 December 2012 to RMB17.1 million as of 30 June 2013, as more customers used bank acceptance bills with longer maturities to settle their payments with us.

As of 31 October 2013, approximately RMB140.5 million, or 71.1%, of our trade debtors and bills receivable as of 30 June 2013 were subsequently settled.

The following tables sets out our average trade debtors and bills receivable turnover days and our average trade debtors turnover days for the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June
	2010	2011	2012	2013
Average trade debtors and bills receivable turnover days [(1)]	190.6	182.1	185.1	176.8
Average trade debtors turnover days [(2)]	30.3	37.3	46.1	30.1

Notes:

(1) Average trade debtors and bills receivable turnover days is calculated as the average of the beginning and ending net trade debtors and bills receivable balances for the period, divided by the turnover for that period, multiplied by 365 days (181 days in the case of six months ended 30 June 2013).

(2) Average trade debtors turnover days is calculated as the average of the beginning and ending net trade debtors balances for the period, divided by the turnover for that period multiplied by 365 days (181 days in the case of six months ended 30 June 2013).

Our average trade debtors and bills receivable turnover days decreased from 190.6 days for the year ended 31 December 2010 to 182.1 days for the year ended 31 December 2011, primarily as a result of our efforts in the recovery of trade and bills receivable during the year ended 31 December 2011. The increase to 185.1 days for the year ended 31 December 2012 was primarily due to the increased use of bank acceptance bills by our third party distributors in settling their payment with us in 2012, when compared to prior year. Our average trade debtors and bills receivable turnover days for the years ended 31 December 2010, 2011 and 2012 are partly affected by our relatively higher balance of trade debtors and bills receivable as of 31 December each year, mainly as a result of the general increase in sales in the fourth quarter, ahead of the new year and Chinese new year, and partly affected by the payment from our customers in form of bank acceptance bills with maturities of no more than 180 days. Our average trade debtors and bills receivable turnover days decreased to 176.8 days for the six months ended 30 June 2013 as we continued our effort to encourage our third party distributors to settle payment by cash or bank acceptance bills with shorter maturities. Our relatively long trade debtors and bills receivable turnover days during the Track Record Period was mainly due to higher use of bank acceptance bills by our customers as we encouraged our third party distributors of our uremic clearance granule, kidney repair and edema alleviation granule and medical contrast medium to settle their payment before delivery by offering them additional discount in the range of 0.5% to 1.0% of the wholesale price of the relevant product. Our average trade debtors and bills receivable turnover days for the three years ended 31 December 2010, 2011 and 2012 were beyond 180 days as (i) we have granted credit terms of up to 12 months for a certain amount of pharmaceutical products at the beginning of each quarter or each year on a limited and a case-by-case basis; and (ii) the bank acceptance bills received from our customers before expiry of the credit term are recorded as bills receivable until they are discounted with banks before their maturities or presented for payment upon their maturities.

Our average trade debtors turnover days increased from 30.3 days for the year ended 31 December 2010, to 37.3 days for the year ended 31 December 2011 and 46.1 days for the year ended 31 December 2012, primarily as a result of increased grant of credit terms of up to 12 months for a certain amount of pharmaceutical products at the beginning of each quarter or each year. Our average trade debtors turnover days decreased to 30.1 days for the six months ended 30 June 2013, primarily due to the lower trade debtors balance as of 30 June 2013 as a result of the lower sales level in the first half of the year compared to the second half of the year, especially in the fourth quarter, which normally have higher sales.

Prepayments and other receivables

Our prepayments primarily consist of prepaid expenses in connection with prepaid construction fees for our production plants and ancillary facilities, prepaid travelling expenses for our employees and prepayment for raw materials while our other receivables primarily consist of prepaid tax and tax refund.

The following table is a summary of our balance of prepayments and other receivables as of the dates indicated:

	As of 31 December			As of 30 June
	2010	**2011**	**2012**	**2013**
	RMB ('000)	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*
Prepayments	6,348	7,223	10,924	19,611
Other receivables	25,666	7,774	4,992	26,776
Total	32,014	14,997	15,916	46,387

As of 31 December 2010, 2011 and 2012 and 30 June 2013, our other receivables amounted to RMB25.7 million, RMB7.8 million, RMB5.0 million and RMB26.8 million respectively, of which RMB24.6 million, RM7.1 million, RMB1.5 million and RMB22.4 million relate to tax refund and value-added tax recoverables.

Trade and other payables

Trade payables

Our trade payables primarily relate to purchases of raw materials from our suppliers. Most of our raw material suppliers grant to us an average credit period of 30 days, while some of our raw material suppliers such as those supplying customised raw materials require us to make full payment before delivery.

As of 31 December 2010, 2011 and 2012 and 30 June 2013, our trade payables amounted to RMB32.0 million, RMB16.3 million, RMB32.0 million and RMB24.5 million, respectively. The following table sets out the aging analysis of our trade payables as of the dates indicated, based on the invoice date:

	As of 31 December			As of 30 June
	2010	**2011**	**2012**	**2013**
Aging analysis of trade payables	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*
Within 1 month	24,762	14,105	28,584	10,151
1 to 12 months	5,389	925	1,188	12,787
Over 12 months	1,874	1,239	2,204	1,557
Total	32,025	16,269	31,976	24,495

Our trade payables decreased by approximately 49.2% from RMB32.0 million as of 31 December 2010 to RMB16.3 million as of 31 December 2011, primarily due to our strengthening of internal control and our efforts to settle payments with our suppliers timely. The increase in our trade payables of approximately 96.5% from RMB16.3 million as of 31 December 2011 to RMB32.0 million as of 31 December 2012 was mainly due to increased purchase of raw materials and expansion of production to support the expansion of our business. The decrease in trade payables of approximately 23.4% from RMB32.0 million as of 31 December 2012 to RMB24.5 million as of 30 June 2013 was mainly due to decreased purchase of raw materials in the first half of the year compared to the second half of the year as we normally have higher sales in the fourth quarter of the year.

As of 31 October 2013, approximately RMB21.1 million, or 86.2%, of our trade payables as of 30 June 2013 were subsequently settled.

The following tables sets out our average trade payables turnover days for the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June
	2010	**2011**	**2012**	**2013**
Average trade payables turnover days	163.4	92.3	79.2	102.2

Note: Average trade payables turnover days is calculated as the average of the beginning and ending net trade payables balances for the period, divided by the cost of sales for that period, multiplied by 365 days (181 days in the case of six months ended 30 June 2013).

Our average trade payables turnover days decreased during the three years ended 31 December 2010, 2011 and 2012, primarily due to a decrease in our use of bank acceptance bills received from our customers to settle payment with suppliers, and as a result of our strengthening of internal control and our continuing efforts to settle payments with our suppliers timely. Our average trade payables turnover days for the six months ended 30 June 2013 increased as our cost of sales for the six months ended 30 June 2013 is relatively low due to the lower sales level in the first half of the year compared to the second half of the year which normally have higher sales.

Other payables

Other payables primarily consist of advances by our third party distributors for purchases of our pharmaceutical products, accrued expenses for marketing activities and daily operations, employee benefits payable, dividends payable, amount due to related parties in connection with the Reorganisation and the expenses for the Global Offering, and other payables in connection with construction of production plants and ancillary facilities, purchase of machineries and rewards to our third party distributors that meet the minimum purchase amounts specified in their distribution agreements.

The following table is a summary of our balance of other payables as of the dates indicated:

	As of 31 December			**As of 30 June**
	2010	**2011**	**2012**	**2013**
	RMB ('000)	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*
Receipts in advance	42,159	8,142	5,770	4,826
Accrued expenses	27,539	25,658	24,810	18,914
Employee benefits payable	13,976	14,048	21,803	13,603
Dividends payable	2,500	104,239	130,352	118,603
Amount due to related parties	444	1,333	16,669	5,180
Other payables	30,286	16,458	18,519	29,982
Total	116,904	169,878	217,923	191,108

Our receipts in advance from our third party distributors amounted to RMB42.2 million, RMB8.1 million, RMB5.8 million and RMB4.8 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. The decrease during the Track Record Period was primarily the result of our termination of contractual relationships with the less competitive distributors which we required them to pay certain deposits with us. Our accrued expenses amounted to RMB27.5 million, RMB25.7 million, RMB24.8 million and RMB18.9 million as of 31 December 2010, 2011, 2012 and 30 June 2013, respectively, and were mainly related to our marketing activities and daily operations. Our employee benefits payable amounted to RMB14.0 million, RMB14.0 million, RMB21.8 million and RMB13.6 million as of 31 December 2010, 2011 and 2012 and 30 June 2013 respectively, and mainly represented the salary accrued for the month of December of that year or June of that year and the annual bonus accrued for our employees. The increase of employee benefits payable in 2012 was primarily due to the introduction of the incentive scheme for our marketing employees in January 2012. Our other payables amounted to RMB30.3 million, RMB16.5 million, RMB18.5 million and RMB30.0 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively, and mainly represented fees payable in connection with the construction of our production plants and ancillary facilities and rewards to our third party distributors that meet the minimum purchase amounts specified in their distribution agreements. The decrease in other payables from RMB30.3 million as of 31 December 2010 to RMB16.5 million as of 31 December 2011 was primarily due to Kangyuan's settlement of RMB9 million in 2011 in relation to a loan advanced to Kangyuan by its previous shareholder prior to our initial investment in Kangyuan in 2009. The increase in other payables from RMB18.5 million as of 31 December 2012 to RMB30.0 million as of 30 June 2013 primarily related to the construction expenses of RMB14.3 million payable for the first phase of the construction of new production plant, warehouses and ancillary facilities in Guangzhou, Guangdong province, and the purchase and installation of production lines therein and the accrued discounts to our third party distributors.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

The following table sets out our capital expenditures for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2010	**2011**	**2012**	**2013**
Capital expenditures	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*
Property, plant and equipment	20,406	33,756	34,135	36,934

Our capital expenditures for the year ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 represents other additions of property, plant and equipment made for our production bases in Guangzhou, Guangdong province and Tongliao, Inner Mongolia autonomous region during the respective period. We financed our capital expenditures primarily through our cash generated from our operating activities.

We expect to incur a total of approximately RMB362.5 million on our infrastructure investment in relation to our production bases in Guangzhou, Guangdong province and Tongliao, Inner Mongolia autonomous region for the next four years with approximately RMB40.7 million in 2013, RMB52.0 million in 2014, RMB137.0 million in 2015 and RMB115.0 in 2016. Such infrastructure investment are expected to be funded by our cash generated from operations together with approximately 40% of the net proceeds from the Global Offering. As of 30 June 2013, RMB40.2 million has been incurred in relation to the above. Please refer to the section headed "USE OF PROCEEDS" in this prospectus for further information relating to our infrastructure investment.

Capital commitments

We had the following capital commitments which were not provided for in our consolidated financial statements:

	As of 31 December			As of 30 June
	2010	**2011**	**2012**	**2013**
Capital commitments	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*
Contracted for	4,489	4,203	23,387	13,539

The capital commitments as of 31 December 2010, 2011 and 2012 and 30 June 2013 were primarily related to the construction of our production plants, ancillary facilities and the production facilities in Guangzhou, Guangdong province and Tongliao, Inner Mongolia autonomous region. The capital commitment increased significantly to RMB23.4 million as of 31 December 2012 and decreased to RMB13.5 million as of 30 June 2013. As of 30 June 2013, RMB4.7 million of the capital commitment was related to the first phase of the construction of new production plant, warehouses and ancillary facilities in Guangzhou, Guangdong province, and the purchase and installation of production lines therein. We expect to fund such commitments principally from cash generated from operating activities and net proceeds of the Global Offering.

CONTINGENT LIABILITIES

Except as disclosed in this prospectus, as of 31 October 2013, our Group had no material contingent liabilities. Our Group is not involved in any current material legal proceedings, nor is our Group aware of any pending or potential material legal proceedings involving our Group. If our Group was involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. We confirm that there has not been any material change in the level of our contingent liabilities since 30 June 2013.

INDEBTEDNESS

As of 31 December 2010, 31 December 2012 and 31 October 2013, the latest practicable date for the purpose of indebtedness statement, save for the RMB17.0 million unsecured and interest-free loan from the Finance Bureau of Tongliao City, we did not have any outstanding loans and borrowings. As of 31 December 2011 and 30 June 2013, we had outstanding loans of RMB13.6 million and RMB37.0 million, respectively, which were granted by the Finance Bureau of Tongliao City. The RMB13.6 million loan was unsecured, interest-free and repayable on demand, and was fully repaid during the year ended 31 December 2012. The RMB37.0 million loan was unsecured, interest-free and repayable in September 2013, which has been extended for another three months. While RMB20.0 million of the RMB37.0 million loan has been repaid in September 2013, our Directors expect that the remaining RMB17.0 million will be fully repaid before Listing.

Except as disclosed above, our Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees outstanding as of 31 October 2013. There are no material covenants relating to our outstanding debt that would prevent us from raising additional bank or other external financing.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, except for the commitments set out above, our Group has not entered into any off-balance sheet transactions.

LISTING EXPENSES

The total estimated listing expenses in connection with the Global Offering is approximately RMB81.0 million. For the Track Record Period, our Group incurred listing expenses amounting to approximately RMB10.2 million, of which RMB7.5 million was charged to our income statement. We estimate to further incur approximately RMB70.8 million of listing expenses before the completion of the Global Offering, out of which approximately RMB20.0 million will be charged to our consolidated income statement. A total of approximately RMB53.5 million will be capitalised in reserves upon successful Listing under the relevant accounting standards.

RELATED PARTY TRANSACTIONS

As of 31 December 2012, a financial guarantee amounted to RMB118 million was issued by GZ Consun to Central Success in connection with a banking facility granted by a bank. As of 31 December 2012, our bills receivable with the carrying amounts of RMB63.4 million and time deposits of RMB76.5 million were pledged to the bank to secure such financial guarantee. The financial guarantee was released by the bank in March 2013.

The following table is a summary of our balances with related parties as of the dates indicated:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
Dividends payable	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*
Cannopus	2,350	94,691	94,691	84,051
Hony Capital	150	150	26,323	26,317
Faithful Gain	–	6,756	6,756	6,163
Kangsheng	–	1,429	1,409	1,129
Kangli	–	683	663	533
Kangji	–	530	510	410
	2,500	104,239	130,352	118,603
Other payables				
Cannopus	444	1,333	1,333	1,896
First Kind	–	–	1,135	3,111
Assets Builder	–	–	24	24
Wealthy Hero	–	–	37	37
Double Grace	–	–	88	88
Loyal Team	–	–	24	24
Qian'an	–	–	9,913	–
Kangsheng	–	–	2,226	–
Kangli	–	–	1,063	–
Kangji	–	–	826	–
Total	444	1,333	16,669	5,180

All of the above amounts were non-trade in nature, unsecured, interest-free and had no fixed terms of repayment, and will be settled before Listing.

As of 31 December 2010, 2011 and 2012 and 30 June 2013, other payables due to Cannopus amounted to RMB0.4 million, RMB1.3 million, RMB1.3 million and RMB1.9 million, respectively, primarily representing the tax refund in relation to capital injection in GZ Consun by Cannopus. As part of the Reorganisation, our Group acquired an aggregate of 6% equity interest in GZ Consun from Qian'an, Kangsheng, Kangli and Kangji for an aggregate consideration of RMB14.0 million. Such consideration was not settled as of 31 December 2012 and constituted other payables to Qian'an, Kangsheng, Kangli and Kangji, but were subsequently settled in March 2013. Other payables to First Kind as of 30 June 2013 represented certain expenses paid by First Kind on behalf of our Group, and other payables to Assets Builder, Wealthy Hero, Double Grace and Loyal Team as of 30 June 2013 represented the extra amount received from each of them in relation to their subscription of Shares to be refunded to them.

Please refer to note 25 to our consolidated financial statements included in "APPENDIX I – ACCOUNTANTS' REPORT" to this prospectus for a more detailed discussion on related party transactions.

KEY FINANCIAL RATIOS

The following table shows certain financial ratios of our Group as of the dates and for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2010	2011	2012	2013
Return on equity(1)	32.0%	43.6%	38.3%	14.3%
Return on assets(2)	18.3%	21.6%	21.1%	8.3%
Interest coverage(3)	No finance costs	No finance costs	No finance costs	No finance costs

	As of 31 December			As of 30 June
	2010	2011	2012	2013
Current ratio(4)	1.6	1.3	1.7	1.9
Quick ratio(5)	1.4	1.3	1.6	1.7
Gearing ratio(6)	–	5.5%	–	8.9%
Net debt to equity ratio(7)	Net cash	Net cash	Net cash	Net cash

Notes:

(1) Return on equity represents profit for the year/period divided by total equity as of the end of the year/period. The return on equity for the six months ended 30 June 2013 is not comparable to those for the years ended 31 December 2010, 2011 and 2012 where full year figures were used.

(2) Return on assets represents profit for the year/period divided by total assets as of the end of the year/period. The return on assets for the six months ended 30 June 2013 is not comparable to those for the years ended 31 December 2010, 2011 and 2012 where full year figures were used.

(3) Interest coverage represents profit before taxation and finance costs divided by finance costs for the year/period.

(4) Current ratio represents total current assets divided by total current liabilities as of the end of the year/period.

(5) Quick ratio represents total current assets less inventories divided by total current liabilities as of the end of the year/period.

(6) Gearing ratio represents loans and borrowings divided by total equity as of the end of the year/period.

(7) Net debt to equity ratio represents loans and borrowings less cash and cash equivalents divided by total equity as of the end of the year/period.

Return on equity

Our return on equity ratio increased from 32.0% for the year ended 31 December 2010 to 43.6% for the year ended 31 December 2011, primarily as a result of the increase in our net profit from increased sales. Our return on equity ratio decreased from 43.6% for the year ended 31 December 2011 to 38.3% for the year ended 31 December 2012, primarily as a result of the increase in total equity at a higher percentage than the increase in our net profit. The increase in retained earnings were used to support the addition of property, plant and equipment in our production bases in Guangzhou, Guangdong province and Tongliao, Inner Mongolia autonomous region. Our return on equity ratio was 14.3% for the six months ended 30 June 2013.

Return on assets

Our return on assets ratio increased from 18.3% for the year ended 31 December 2010 to 21.6% for the year ended 31 December 2011, primarily as a result of our increase in net profit from increased sales. Our return on assets ratio experienced a slight decrease from 21.6% for the year ended 31 December 2011 to 21.1% for the year ended 31 December 2012. Our return on assets ratio for the six months ended 30 June 2013 was 8.3%.

Interest coverage

During the Track Record Period, we did not have loans and borrowings which are interest-bearing. Accordingly, we did not incur any finance cost during the Track Record Period.

Current ratio and quick ratio

The decreases in our current ratio and quick ratio from 1.6 and 1.4 as of 31 December 2010 to 1.3 and 1.3 as of 31 December 2011, respectively, were mainly due to the increases of trade and other payables, loans and borrowings and current tax payable, which were partly offset by the increases in cash and cash equivalents and trade and other receivables resulted from our increased sales. The increases in our current ratio and quick ratio from 1.3 and 1.3 as of 31 December 2011 to 1.7 and 1.6 as of 31 December 2012, respectively, were mainly due to the increase in trade and other receivables as a result of increased sales and the addition of pledged deposits of RMB76.5 million, which were partly offset by the increase in trade and other payables. The increases in our current ratio and quick ratio from 1.7 and 1.6 as of 31 December 2012 to 1.9 and 1.7 as of 30 June 2013, respectively, were mainly due to the increase in our cash and cash equivalents and current tax recoverable of RMB8.9 million which represents tax paid in advance by Consun (Inner Mongolia).

Gearing ratio

As of 31 December 2010 and 31 December 2012, we did not have any outstanding loans and borrowings. As of 31 December 2011, we had outstanding loans and borrowings of RMB13.6 million which was granted by the Finance Bureau of Tongliao City, which was repaid during the year ended 31 December 2012. As of 30 June 2013, we had outstanding unsecured and interest-free loans of RMB37.0 million granted by the Finance Bureau of Tongliao City.

Net debt to equity ratio

As of 31 December 2010 and 31 December 2012, we did not have any outstanding loans and borrowings. As of 31 December 2011 and 30 June 2013, we had outstanding loans and borrowings of RMB13.6 million and RMB37.0 million, respectively, the amounts of which were far less than our cash and cash equivalents as of the same dates. Accordingly, we did not have a net debt position as of 31 December 2010, 2011 and 2012 and 30 June 2013.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various types of market risks, including credit risk and liquidity risk, in the normal course of our business.

Credit risk

Our credit risk is primarily attributable to trade and other receivables, which is influenced mainly by the individual characteristics of each customer. Accordingly, significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. We have a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. Individual credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are due within 180 days from the date of billing and debtors with balances that are more than 12 months past due are requested to settle all outstanding balances before any further credit is granted.

Liquidity risk

Our approach in managing liquidity is to ensure, as far as possible, that we maintain sufficient reserves of liquid funds to meet its liabilities when they fall due, under both normal and stressed conditions. For an additional discussion of quantitative and qualitative information about market risks, please refer to note 22 to our consolidated financial statements included in "APPENDIX I – ACCOUNTANTS' REPORT" to this prospectus.

DIVIDEND POLICY

During the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, our Group declared to its then shareholders dividends of RMB12.6 million, RMB109.0 million, RMB27.0 million and nil, respectively, which represented dividends attributable to previous financial years. In October 2013, our Group declared to its then shareholders dividends of RMB51.6 million. Such dividends will be paid by internal resources before Listing. Save as disclosed above, no other dividends were declared or distributed by us or any of our subsidiaries during the Track Record Period. We currently do not have a fixed dividend policy. According to the Articles of Association, we may declare and pay dividends out of our distributable reserves. The payment and the amount of any dividends will depend on the results of our operations, cash flow, financial condition, statutory and regulatory restrictions on the payment of dividends, future prospects and other factors that we may consider relevant. Holders of our Shares will be entitled to receive such dividends on a pro rata basis according to the amounts paid up or credited as paid up on our Shares. The declaration, payment, and amount of dividends will be subject to our discretion.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such profits will not be available to be reinvested in our operations. There is no assurance that dividends will be paid in the future. Neither will there be any assurance regarding the amount or timing of any dividends that will be paid in the future. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Going forward, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend will be at the discretion of our Board. In addition, any final dividend will be subject to Shareholders' approval. Our Board will review our Company's dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- financial results of our Company;
- Shareholders' interests;
- general business conditions, strategies and future expansion needs;
- our Company's capital requirements;
- the payment by our subsidiaries of cash dividends to our Company;
- possible effects on liquidity and financial position of our Company; and
- other factors our Board may deem relevant.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 13 December 2010 and has not carried out any business since the date of incorporation. Accordingly, there was no reserve available for distribution to equity shareholders as of 31 December 2010, 2011 and 2012 and 30 June 2013.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued our property interests as of 30 September 2013 in the PRC. The texts of its letter, summary of values and valuation certificates are set out in "APPENDIX III – PROPERTY VALUATION" to this prospectus. A reconciliation of the net book value of property interests as of 30 June 2013 to their fair value as stated in "APPENDIX III – PROPERTY VALUATION" to this prospectus is as follows:

	RMB'000
Net book value at 30 June 2013[(1)]	162,815
Less:	
Machineries recorded under construction in progress	(34,271)
Movements during the three months ended 30 September 2013	
Additions	3,951
Depreciation	(1,339)
Net book value at 30 September 2013	131,156
Valuation surplus at 30 September 2013	52,888
Valuation amount at 30 September 2013	184,044

Note:

(1) Net book value represents the sum of buildings and construction in progress as stated in "APPENDIX I – ACCOUNTANTS' REPORT" to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted net tangible assets was prepared in accordance with Rule 4.29 of the Listing Rules and is for illustration purposes only and may not give a true picture of the net tangible assets of our Group following the Global Offering. The following unaudited pro forma adjusted net tangible assets statement is set out below to illustrate the effect of the Global Offering on the net tangible assets of our Group derived from the Accountants' Report, the text of which is set out in "APPENDIX I – ACCOUNTANTS' REPORT" to this prospectus, assuming that the Global Offering was completed on 30 June 2013 and adjusted as described below. The unaudited pro forma adjusted net tangible assets statement does not form part of the accountants' report.

	Consolidated net tangible assets of our Group attributable to equity shareholders of our Company as of 30 June 2013	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to equity shareholders of our Company	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to equity shareholders of our Company
	RMB ('000)(1)	*RMB ('000)*(2)(4)	*RMB ('000)*	*RMB*(3)	*HK$* (4)
Based on an Offer Price of HK$3.63 per Share	414,240	638,848	1,053,088	1.05	1.33
Based on an Offer Price of HK$4.36 per Share	414,240	777,256	1,191,496	1.19	1.51

Notes:

(1) The consolidated net tangible assets of our Group as of 30 June 2013 is based on our Group's consolidated net assets attributable to equity shareholders of our Company of RMB414.2 million as of 30 June 2013 as set out in "APPENDIX I – ACCOUNTANTS' REPORT" to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on the issuance of 250,000,000 Shares and the indicative Offer Prices of HK$3.63 and HK$4.36 per Share, respectively, being the lower end price and higher end price of the stated Offer Price range, after deduction of the underwriting fees and other related expenses of HK$98.8 million and HK$106.1 million payable by our Company.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustment for the estimated net proceeds from the Global Offering payable to our Company as described in note (2) and on the basis that a total of 1,000,000,000 Shares were in issue assuming that the Global Offering was completed on 30 June 2013 (including Shares in issue as of the date of this prospectus and those Shares to be issued pursuant to the Global Offering and the Capitalisation Issue).

(4) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company per Share are converted from or into Hong Kong dollars at an exchange rate of HK$1 to RMB0.79. No representation is made that HK$ amount have been, could have been or may be converted into RMB, or vice versa, at that rate.

(5) Details of valuation of the Group's properties interest as at 30 June 2013 are set out in Appendix III to this prospectus. The Group will not recognise the revaluation surplus or deficit in its consolidated financial statements for the year ending 31 December 2013. It is the Group's accounting policy to state its property, plant and equipment at cost less accumulated depreciation and any impairment loss in accordance with Hong Kong Accounting Standard 16, rather than at revalued amounts. The impairment reviews performed by the Company as at 30 June 2013 did not indicate the need to recognise any impairment loss for its property, plant and equipment. With reference to the valuation of the Group's property interests as set out in Appendix III to this prospectus, there was a revaluation surplus of the Group's properties of approximately RMB53.3 million. If the revaluation surplus was incorporated in the Group's consolidated financial statements for the year ending 31 December 2013, an additional depreciation of approximately RMB1.5 million per annum would be incurred.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there are no circumstances which, had our Group been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2013, and there is no event since 30 June 2013 which would materially affect the information shown in "APPENDIX I – ACCOUNTANTS' REPORT" to this prospectus.