CONSUN
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康臣藥業集團有限公司
CONSUN PHARMACEUTICAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1681

Global Offering

Sole Global Coordinator, Bookrunner, Sponsor and Lead Manager

BOC INTERNATIONAL

IMPORTANT

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

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**250,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**25,000,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**225,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$4.36 per Offer Share, plus brokerage fee of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.1 per Share**
Stock code	**:**	**1681**

Sole Global Coordinator, Bookrunner, Sponsor and Lead Manager

BOC INTERNATIONAL

A COPY OF THIS PROSPECTUS, HAVING ATTACHED THERETO THE DOCUMENTS SPECIFIED IN THE PARAGRAPH HEADED "DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES" IN "APPENDIX VI – DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION" TO THIS PROSPECTUS, HAS BEEN REGISTERED WITH THE REGISTRAR OF COMPANIES IN HONG KONG AS REQUIRED BY SECTION 342C OF THE COMPANIES ORDINANCE (CHAPTER 32 OF THE LAWS OF HONG KONG). THE SECURITIES AND FUTURES COMMISSION AND THE REGISTRAR OF COMPANIES IN HONG KONG TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS OR ANY OTHER DOCUMENT REFERRED TO ABOVE.

The Offer Price is expected to be fixed by agreement between the Sole Bookrunner (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 13 December 2013 and, in any event, not later than Monday, 16 December 2013. The Offer Price will not be more than HK$4.36 and is currently expected to be not less than HK$3.63. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$4.36 for each Offer Share together with a brokerage of 1.0%, a SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005%.

The Sole Bookrunner, on behalf of the Underwriters, may, with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus (which is HK$3.63 to HK$4.36 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.chinaconsun.com**. Further details are set out in the sections headed "STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING" and "HOW TO APPLY FOR HONG KONG OFFER SHARES" in this prospectus.

If, for any reason, the Sole Bookrunner (on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price by Monday, 16 December 2013, the Global Offering will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section headed "RISK FACTORS" in this prospectus.

Prospective investors should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain events shall occur prior to 8:00 a.m. on the day on which trading in our Shares commences on the Stock Exchange. Such grounds are set out in the section headed "UNDERWRITING" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the U.S. Securities Act.

9 December 2013

EXPECTED TIMETABLE[1]

Latest time to complete **electronic applications** under the **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2] . . . . 11:30 a.m. on Thursday, 12 December 2013

Application lists of the Hong Kong Public Offering open[3] . . . . . 11:45 a.m. on Thursday, 12 December 2013

Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s). . . . . 12:00 noon on Thursday, 12 December 2013

Latest time to lodge **WHITE** and **YELLOW** Application Forms . . . . . 12:00 noon on Thursday, 12 December 2013

Latest time to give **electronic application instructions** to HKSCC[4]. . . . . 12:00 noon on Thursday, 12 December 2013

Application lists of the Hong Kong Public Offering close. . . . . 12:00 noon on Thursday, 12 December 2013

Expected Price Determination Date[5]. . . . . Friday, 13 December 2013

Announcement of:

- the Offer Price;
- the level of indications of interest in the International Offering;
- the level of applications under the Hong Kong Public Offering; and
- the basis of allotment of the Hong Kong Offer Shares

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.chinaconsun.com** on. . . . . Wednesday, 18 December 2013

Announcement of results of allotment in the Hong Kong Public Offering (with successful applicants' identification document numbers where applicable) available through a variety of channels as described in the section headed "HOW TO APPLY FOR HONG KONG OFFER SHARES" in this prospectus . . . . . Wednesday, 18 December 2013

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function . . . . . Wednesday, 18 December 2013

Despatch of share certificates in respect of wholly or partially successful applications on . . . . . Wednesday, 18 December 2013

Despatch of refund cheques (if applicable) in respect of wholly and partially successful applications (if applicable) or wholly or partially unsuccessful applications on . . . . . Wednesday, 18 December 2013

Despatch of **White Form** e-Refund payment instructions (if applicable) in respect of wholly and partially successful applications (if applicable) or wholly or partially unsuccessful applications on . . . . . Wednesday, 18 December 2013

Dealings in our Shares on the Stock Exchange expected to commence on . . . . . Thursday, 19 December 2013

Notes:

(1) All dates and times refer to Hong Kong dates and time, except otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING" in this prospectus. If there is any change in the above expected timetable, we will issue a separate announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 12 December 2013, the application lists will not open and close on that day. Please refer to the section headed "HOW TO APPLY FOR HONG KONG OFFER SHARES – EFFECT OF BAD WEATHER CONDITIONS ON THE OPENING OF THE APPLICATION LISTS" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "HOW TO APPLY FOR HONG KONG OFFER SHARES – APPLYING BY GIVING **ELECTRONIC APPLICATION INSTRUCTIONS** TO HKSCC" in this prospectus.

(5) The Price Determination Date is expected to be on or about Friday, 13 December 2013, and in any event will not be later than Monday, 16 December 2013. If, for any reason, the Offer Price is not agreed on or before Monday, 16 December 2013, the Global Offering will not proceed and will lapse.

Share certificates will only become valid certificates of title if the Global Offering has become unconditional in all respects and the Underwriting Agreements have not been terminated in accordance with its terms, which is expected to be at or around 8:00 a.m., on Thursday, 19 December 2013. Investors who trade in our Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned in the section headed "HOW TO APPLY FOR HONG KONG OFFER SHARES" in this prospectus, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described in the section headed "HOW TO APPLY FOR HONG KONG OFFER SHARES" in this prospectus); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

You should read carefully the sections headed "UNDERWRITING", "STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING" and "HOW TO APPLY FOR HONG KONG OFFER SHARES" in this prospectus for details relating to the structure and conditions of the Global Offering, how to apply for Hong Kong Offer Shares and the expected timetable including, *inter alia*, applicable conditions, the effect of bad weather, and the despatch of refund cheques and share certificates.

We will publish an announcement in case there is any change in the expected timetable of the Hong Kong Public Offering as described above.

CONTENTS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell, or a solicitation of an offer to subscribe for or buy, any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell, or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus, in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with different information. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor, the Sole Lead Manager, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person or party involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with an investment in the Offer Shares. Some of the particular risks associated with an investment in the Offer Shares are set out in the section headed "RISK FACTORS" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

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. According to SMERI Report, our key product, uremic clearance granule (尿毒清顆粒), is a leading modern Chinese medicine for treating kidney disease in the PRC. It has consistently ranked first in the market of oral modern Chinese medicines for kidney disease in the PRC from 2008 to 2012 in terms of retail sales, commanding a market share of 24.1% in 2012. It has also consistently ranked among the top three in the market of kidney medicines in the PRC from 2008 to 2012 in terms of retail sales. Our other key product, gadopentetate dimeglumine injection (釓噴酸葡胺注射液), was ranked third in the market of MRI medical contrast medium in the PRC in 2012 in terms of retail sales, commanding a market share of 17.1%, according to SMERI Report.

We have established our own research and development laboratory for kidney medicines in 2006, which was awarded by the government of Inner Mongolia autonomous region as a "Research and Development Centre of Enterprises in Inner Mongolia Autonomous Region" (內蒙古自治區企業研發中心) in November 2012. Our dedicated in-house research and development team comprised 60 research personnel as of 30 June 2013, of whom four hold doctorate degree or master's degree in pharmaceutical related areas, and more than half of our research personnel have over ten years of experience in the PRC pharmaceutical industry. We have also formed collaboration with various research institutions, hospitals and universities in the PRC to jointly develop new pharmaceutical products, applications of existing products, product formulation, production methods or techniques and benefit from their expertise, skills, resources and knowledge in these areas. We seek to develop new medicines addressing major unmet medical needs, with the objective of contributing to the health improvement of the public and to capture a significant portion of market share in new markets, as well as to enrich our product offering. As of the Latest Practicable Date, we had seven product candidates in various stages of development, including two potential kidney medicines, four potential medical contrast mediums and one potential digestive medicine.

As of 30 June 2013, we had established 31 liaison points covering 30 provinces, autonomous regions, and municipality cities across the PRC. Such liaison points enable our marketing team to provide immediate marketing services and support to our customers. As of 30 June 2013, our marketing team comprised over 550 dedicated marketing representatives, the majority of whom have professional background in medical, pharmaceutical, marketing or other related areas. As pharmaceutical products generally require a higher level of customer knowledge than ordinary consumer goods, and in particular, as our key products are prescription medicines, we consider that sharing specialist knowledge and information with medical practitioners in hospitals, medical institutions and pharmacies and collecting their feedbacks are essential in promoting our products. By doing so, we aim to enrich and update medical practitioners' knowledge of our specialist medicines and other information on relevant therapeutic areas. Through such interaction, we directly market and promote our kidney medicines and medical contrast medium to hospitals, medical institutions and pharmacies. As part of our marketing activities, we sponsor and attend national and international academic conferences, organise various academic conferences at which renowned scholars are invited to give presentations on the functions of our specialist

pharmaceutical products and exchange ideas on future development in the relevant therapeutic areas. In addition, through our co-operation with professional academic bodies such as Chinese Medical Association (中華醫學會) and Chinese Medical Doctor Association (中國醫師協會), we offer continuing education courses for medical practitioners in respect of kidney disease and medical contrast medium. In addition, to achieve deep market penetration in a more effective manner, we engage Independent Third Party distributors to distribute our kidney medicines and medical contrast medium. These third party distributors are GSP certified corporations and have extensive geographic distribution network with strong logistics support. They are only responsible for reselling and distributing our products to hospitals, medical institutions and pharmacies either directly or indirectly through other sub-distributors. This distribution arrangement enables us to focus our resources in research and development, manufacturing, and marketing of our products, as we do not need to maintain an extensive GSP certified distribution network with logistics coverage at our own expenses.

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. As a result, these products cannot be sold above their prescribed 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.

OUR HISTORY

Our Group's history can be traced back to 1997 when our predecessor, Consun Pharmaceutical Factory (康臣製藥廠), established GZ Consun in December 1997. GZ Consun subsequently became a WFOE of Cannopus in December 1998.

Our two key products, gadopentetate dimeglumine injection and uremic clearance granule, were commercially launched in 1998. In 2006, we established our own research and development laboratory for kidney medicines. In the same year, the production technique of our uremic clearance granule was patented by SIPO and its formula and key production technique were recognised by the Ministry of Science and Technology and State Secrecy Bureau (國家保密局) as State Secret under the secret category for a term of five years, which status was subsequently extended to and expired in October 2013. As of the Latest Practicable Date, we had not been informed of the status of the renewal of the State Secret status by the relevant authorities. With our research and development efforts, kidney repair and edema alleviation granule, being our other kidney medicine and a future growth contributor, was commercially launched in 2009.

In 2003, our Guangzhou production plant obtained the GMP certification. We expanded our operation to Tongliao, Inner Mongolia autonomous region with the establishment of Consun (Inner Mongolia) in December 2005. Our production plant in Tongliao, Inner Mongolia autonomous region, obtained the GMP certification and commenced production in 2008. This plant enabled us to benefit from the close proximity of the key Chinese herbs plantation bases. We strategically acquired Kangyuan in October 2009 to further strengthen our production capacity in Inner Mongolia autonomous region.

COMPETITIVE STRENGTHS

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

- Leading position in the market of oral modern Chinese medicines for kidney disease in the PRC;
- Strong marketing capabilities with extensive national sales network;
- Strong research and development capabilities with the ability to realise commercialisation;
- Comprehensive production facilities in strategically located production plants with stringent quality control; and
- Experienced and committed management team.

STRATEGIES

Our goal is to consolidate our leading position in the market of oral modern Chinese medicines for kidney disease in the PRC which has a high growth potential given the low awareness rate of chronic kidney disease in the PRC, and capture more market share in the market of medical contrast medium in the PRC. To achieve this goal, we plan to implement the following strategies:

- Continue to enrich our product offering;
- Extend our marketing and distribution network and strengthen our marketing efforts;
- Further strengthen our research and development capabilities;
- Continue to increase our brand recognition;
- Expand our business through selective strategic acquisitions, investments or partnerships; and
- Continue to cultivate and recruit talented employees who are essential to our businesses.

OUR PRODUCTS

Our products are divided into three product categories according to their therapeutic areas, namely kidney medicines, medical contrast medium and other medicines.

Kidney medicines

We launched our key kidney medicine, uremic clearance granule, in 1998, which was the first modern Chinese medicine for treating chronic kidney failure in the PRC. Our uremic clearance granule is listed in the National List of Essential Medicines and the National Medical Insurance Medicines Catalogue, and benefits from the Provisional Measures on the Administration of the National List of Essential Medicines (國家基本藥物目錄管理辦法(暫行)) and Provisional Measures for the Administration of the Scope of Basic Medical Insurance Coverage for Pharmaceutical

Products for Urban Workers (城鎮職工基本醫療保險用藥範圍管理暫行辦法), respectively. The production technique of our uremic clearance granule was patented by SIPO in October 2006 and our uremic clearance granule has been recognised as a class two national Chinese medicine protection type by the CFDA from December 2000 to December 2014, which prohibited manufacturing of our uremic clearance granule by other person or entity except under certain special circumstances mentioned in the section headed "BUSINESS – OUR PRODUCTS – Kidney medicines – *Uremic clearance granule (尿毒清顆粒)*" in this prospectus. We are entitled and plan to apply for the renewal of the term thereof before expiration in accordance with the relevant laws and regulations. For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, sales of uremic clearance granule represented approximately 76.5%, 77.4%, 75.9% and 74.9% of our turnover, respectively.

To supplement our kidney medicines, we launched our kidney repair and edema alleviation granule, which is a modern Chinese medicine mainly used for treating chronic glomerulonephritis and reducing proteinuria, in 2009. 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%.

Medical contrast medium

Our other key product, gadopentetate dimeglumine injection, is a medical contrast medium used for magnetic resonance image formation. We were the first pharmaceutical company which obtained the New Medicine Certificate and production approval for a MRI medical contrast medium in the PRC. For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, sales of gadopentetate dimeglumine injection represented approximately 14.3%, 13.3%, 14.3% and 17.7% of our turnover, respectively.

Other medicines

In addition to our kidney medicines and medical contrast medium, we also offer a wide range of other medicines, including both prescription medicines and OTC medicines. These medicines are used for treating various diseases, including malnutrition and hypoproteinemia, chronic anemia, and seasonal or perennial allergic rhinitis.

Prior to the acquisition of Kangyuan, GZ Consun originally held the production approvals for six medicines, including four kidney medicines, one medical contrast medium and one other medicine. We acquired the production approvals of 78 other medicines when we first acquired 63.3% equity interest in Kangyuan in 2009, and we continued to manufacture and sell 17 of them during the Track Record Period. As these other medicines generally have lower gross profit margins, we have gradually ceased production and sale of 12 of these medicines since March 2010 and have ceased selling all these 12 medicines by June 2013. For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, turnover from these 12 medicines were RMB5.7 million, RMB4.2 million, RMB3.1 million and RMB0.1 million, respectively, representing approximately 1.9%, 1.1%, 0.7% and 0.0% of our turnover for the same periods, respectively.

Going forward, we will continue to focus our production and marketing resources in our major products, including uremic clearance granule and gadopentetate dimeglumine injection, which we believe we have competitive advantages in the relevant markets and enjoy relatively higher gross

profit margins, so that a stable revenue can be generated to support our business expansion and our research and development activities. As the cost of maintaining the production approvals of the 73 medicines which we do not currently manufacture and sell is minimal, we will continue to maintain such production approvals.

OUR PRODUCTION FACILITIES

We produce all of our products in our three self-owned production plants, which are located in Guangzhou, Guangdong province and Tongliao, Inner Mongolia autonomous region, all of which have obtained GMP certifications. These production plants house 13 production lines of injection, granules, tablets, pills, capsules and oral solution. The following table sets forth our production capacity and utilisation rates for our uremic clearance granule, gadopentetate dimeglumine injection and kidney repair and edema alleviation granule during the Track Record Period:

		Year ended 31 December									Six months ended 30 June		
		2010			2011			2012			2013		
Production line	*Unit*	*Designed production capacity*	*Production volume*	*Utilisation rate (%)*	*Designed production capacity*	*Production volume*	*Utilisation rate (%)*	*Designed production capacity*	*Production volume*	*Utilisation rate (%)*	*Designed production capacity*	*Production volume*	*Utilisation rate (%)*
Uremic clearance granule ..	Tonne	270.0[(1)(2)]	489.5	181.3[(2)(3)]	270.0[(1)(2)]	425.8	157.7[(2)(3)]	360.0[(1)(2)(4)]	582.6	161.8[(2)(3)]	258.3[(5)]	340.0	131.6[(6)]
Kidney repair and edema alleviation granule	Tonne	20.8[(1)(2)]	1.1[(7)]	5.3	20.8[(1)(2)]	4.0	19.2	20.8[(1)(2)]	14.1	67.8	10.4[(1)]	5.2	50.0
Gadopentetate dimeglumine injection	Litre	10,205.0[(8)]	6,406.0	62.8	10,205.0[(8)]	8,739.0	85.6	10,205.0[(8)]	10,373.0	101.6[(9)]	5,102.5[(8)]	7,074.0	138.7[(10)]

Notes:

(1) The designed production capacity for a production line is computed on the basis of 335 days per year and 16 hours (with two work shifts of eight hours) per day.

(2) The production line of kidney repair and edema alleviation granule can also be used to produce uremic clearance granule with a designed production capacity of approximately 263 tonnes per year, computed on the basis of 335 days per year and 16 hours (with two work shifts of eight hours) per day.

(3) The actual production activities were conducted using the production line(s) of uremic clearance granule and occasionally the production line of kidney repair and edema alleviation granule, and on three shifts of eight hours per day occasionally to meet the demand for our uremic clearance granule, which resulted in the utilisation rate for such relevant period exceeding 100%.

(4) This represents the weighted average designed production capacity for the year as the designed production capacity increased from 270.0 tonnes to 810.0 tonnes per year as a result of the upgrading of the existing production line in November 2012.

(5) This represents the weighted average designed production capacity for the six months ended 30 June 2013 as (i) the designed production capacity decreased from 810.0 tonnes per year to 540 tonnes per year for the four months ended 30 April 2013 due to the expiry of the GMP certificates for certain parts of our production line in January 2013; and (ii) the designed production capacity increased to 940.0 tonnes per year as a result of the upgrading of our existing production line after the renewal of GMP certificates for certain parts of our production lines in June 2013.

(6) The actual production activities were conducted on three shifts of eight hours per day occasionally to meet the demand for our uremic clearance granule, which resulted in the utilisation rate for such relevant period exceeding 100%.

(7) Small scale production of edema alleviation granule commenced in 2009 and such products were subsequently sold in 2010.

(8) The designed production capacity for a production line is computed on the basis of 264 days per year (or 132 days for the six months ended 30 June 2013) and eight hours (with one work shift) per day.

(9) The actual production days were slightly over 264 days due to overtime on weekends or during public holidays to meet the demand for our gadopentetate dimeglumine injection, which resulted in the utilisation rate for such relevant period exceeding 100%.

(10) The actual production days were slightly over 132 days due to overtime on weekends or during public holidays and was conducted on two shifts of eight hours per day occasionally in order to stock up our inventories prior to the expected suspension of production for upgrading of our production line of gadopentetate dimeglumine injection in Guangzhou for GMP compliance inspection by the relevant government authorities which is expected to last for three to six months during late 2013 to early 2014, which resulted in the utilisation rate for such relevant period exceeding 100%.

Please refer to the section headed "BUSINESS – PRODUCTION – Production facilities" in this prospectus for further details of our production facilities and production capacity.

OUR DISTRIBUTORS

Almost all of our pharmaceutical products are sold to hospitals, medical institutions and pharmacies through our Independent Third Party distributors, either directly or indirectly through other sub-distributors. As of 30 June 2013, we had 175 third party distributors and 580 sub-distributors which entered into sub-distribution agreements with us. All of our third party distributors and such sub-distributors are GSP certified distributors located in different regions in the PRC where our pharmaceutical products are sold. Please refer to the section headed "BUSINESS – MARKETING AND DISTRIBUTION – Our Customers – *Distributors*" in this prospectus for further details.

OUR SUPPLIERS

Our primary raw materials include Chinese herbs which are used for the production of our modern Chinese medicines such as uremic clearance granule and kidney repair and edema alleviation granule, chemicals which are used in the production of our chemical medicines, packaging materials and other auxiliary materials. Our suppliers are required to possess all licences and permits necessary to conduct their operations, which include business licences, tax registration certificates and GMP or GAP certificate. Please refer to the section headed "BUSINESS – RAW MATERIALS" in this prospectus for further details of our suppliers.

RISK FACTORS

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "RISK FACTORS" in this prospectus. You should read that entire section carefully before you decide to invest in the Offer Shares. The following highlights some of the risks which are considered to be material by our Directors:

- We are currently dependent on the sales of our two key products, uremic clearance granule and gadopentetate dimeglumine injection, the sales of which represented, in aggregate, approximately 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.

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

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

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

SELECTED FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as of and for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, derived from "APPENDIX I – ACCOUNTANTS' REPORT" to this prospectus.

Key Consolidated Income Statements Information

	For the year ended 31 December						For the six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB ('000)	*% of turnover*	*RMB ('000)*	*% of turnover*	*RMB ('000)*	*% of turnover*	*RMB ('000) (Unaudited)*	*% of turnover*	*RMB ('000)*	*% of turnover*
Turnover	**303,713**	**100.0**	**389,305**	**100.0**	**457,801**	**100.0**	**181,919**	**100.0**	**228,390**	**100.0**
Cost of sales	(63,728)	21.0	(95,507)	24.5	(111,112)	24.3	(46,455)	25.5	(50,023)	21.9
Gross profit	**239,985**	**79.0**	**293,798**	**75.5**	**346,689**	**75.7**	**135,464**	**74.5**	**178,367**	**78.1**
Other revenue	40,043	13.2	17,221	4.4	20,517	4.5	18,704	10.3	1,082	0.5
Distribution costs	(127,642)	42.0	(116,141)	29.8	(135,496)	29.6	(53,673)	29.5	(73,327)	32.1
Administrative expenses	(48,989)	16.1	(49,368)	12.7	(50,721)	11.1	(22,640)	12.4	(25,421)	11.1
Other net (loss)/income	(68)	0.0	(103)	0.0	(1,927)	0.4	690	0.4	(118)	0.1
Profit before taxation	**103,329**	**34.0**	**145,407**	**37.4**	**179,062**	**39.1**	**78,545**	**43.2**	**80,583**	**35.3**
Income tax	(24,071)	7.9	(38,106)	9.8	(42,856)	9.4	(18,445)	10.1	(21,517)	9.4
Profit for the year/period	**79,258**	**26.1**	**107,301**	**27.6**	**136,206**	**29.8**	**60,100**	**33.0**	**59,066**	**25.9**
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	

Our turnover experienced consistent growth during the Track Record Period mainly due to the increased sales of our uremic clearance granule and gadopentetate dimeglumine injection. For the three years ended 31 December 2010, 2011 and 2012, our turnover were RMB303.7 million, RMB389.3 million, RMB457.8 million, respectively, representing a CAGR of 22.8% over the period. 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%.

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

During the Track Record Period, 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. For the same periods, our profit were RMB79.3 million, RMB107.3 million and RMB136.2 million, respectively, representing a CAGR of 31.1% over the period. For the six months ended 30 June 2012 and 2013, our gross profit were RMB135.5 million and RMB178.4 million, respectively, representing an increase of 31.7%, and 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.

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. Please refer to the section headed "FINANCIAL INFORMATION – PRINCIPAL INCOME STATEMENT ITEMS – Gross profit and gross profit margin" in this prospectus for further details.

During the Track Record Period, we received government grants of RMB38.8 million, RMB11.9 million, RMB18.2 million and RMB0.4 million for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. 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. 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 sections 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" and "FINANCIAL INFORMATION – PRINCIPAL INCOME STATEMENT ITEMS – Other revenue" in this prospectus for more details.

Key Consolidated Statements of Financial Position Information

	As of 31 December			As of 30 June
	2010	**2011**	**2012**	**2013**
	RMB ('000)	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*
Assets				
Current assets	271,697	315,951	445,058	484,596
Non-current assets	160,516	181,070	200,949	230,870
Total assets	432,213	497,021	646,007	715,466
Liabilities				
Current liabilities	174,401	235,299	260,347	259,572
Non-current liabilities	10,129	15,702	30,482	41,654
Total liabilities	184,530	251,001	290,829	301,226
Total equity	247,683	246,020	355,178	414,240

Our average trade debtors and bills receivable turnover days were 190.6 days, 182.1 days, 185.1 days and 176.8 days for the three years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2013, respectively. 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 with maturities of no more than 180 days by our customers. Please refer to the section headed "FINANCIAL INFORMATION – CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – Trade and other receivables" in this prospectus for more details.

Summary Consolidated Cash Flows Information

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	RMB ('000)	*RMB ('000)*	*RMB ('000)*	*RMB ('000)*
Net cash generated from operating activities	68,938	56,619	128,832	47,175
Net cash (used in)/generated from investing activities	(16,270)	(29,817)	(111,464)	46,684
Net cash (used in)/generated from financing activities	(70,685)	6,048	(484)	25,251

Key Financial Ratios

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

	As of 31 December			As of 30 June
	2010	2011	2012	2013
Current ratio[(1)]	1.6	1.3	1.7	1.9
Gearing ratio[(2)]	–	5.5%	–	8.9%

Notes:

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

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

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.

LATEST DEVELOPMENT

As far as we are aware, the PRC pharmaceutical industry remained relatively stable after the Track Record Period. Our Group did not experience any significant drop in revenue or increase in cost of sales or other costs subsequent to the Track Record Period up to the Latest Practicable Date as there were no significant changes to the general business model of our Group and economic environment. In September 2013, we received unconditional government grant of

RMB6.4 million from the Finance Bureau of Tongliao City as subsidies for our research and development activities and our upgrading of production facilities. Based on our unaudited management accounts, as of 31 October 2013, we had a total current assets of RMB515.2 million and a total current liabilities of RMB309.6 million. Please refer to the section headed "FINANCIAL INFORMATION – LIQUIDITY AND CAPITAL RESOURCES" in this prospectus for further details of our current assets and current liabilities. There was no material adverse change in our gross profit margin and net profit margin for the four months ended 31 October 2013 comparing to those for the six months ended 30 June 2013.

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.

OFFERING STATISTICS

Market capitalisation at Listing	:	HK$3,630.0 million to HK$4,360.0 million
Offering size	:	Initially 25% of the enlarged share capital of the Company
Offering structure	:	10% Hong Kong Public Offering (subject to adjustment); and 90% International Offering (subject to adjustment and Over-allotment Option)
Over-allotment Option	:	First Kind will grant to the International Underwriter the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriter at any time from the Listing Date up to (and including) the day which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, to require First Kind to sell up to an aggregate of 37,500,000 Shares, being 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Offering.
Offer Price per Share	:	HK$3.63 to HK$4.36 per Share
Board lot	:	1,000 Shares
Use of proceeds (assuming an Offer Price of HK$4.00 per Share, being the mid-point of the indicative Offer Price range)	:	We currently intend to apply the net proceeds of the Global Offering of HK$897.5 million (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering) in the following manner: • approximately HK$359.0 million (equivalent to approximately 40% of our total estimated net proceeds) will be used for our infrastructure investment in respect of (i) the construction of new production plant, warehouses and ancillary facilities in Guangzhou, Guangdong province, and the purchase and installation of production lines therein; (ii) the purchase and installation of new production facilities in the production plant, in Tongliao, Inner Mongolia autonomous region; (iii) the purchase of quality control devices for the inspection centre in Tongliao, Inner Mongolia autonomous region; (iv) the upgrading of our existing production lines for other medicines; and (v) the upgrading of our information system;

- approximately HK$179.5 million (equivalent to approximately 20% of our total estimated net proceeds) will be used for research and development activities in order to develop new products;

- approximately HK$134.6 million (equivalent to approximately 15% of our total estimated net proceeds) will be used for expansion of our existing marketing and distribution networks to increase the level of our market penetration to cover more end-customers, such as county medical institutions and community and rural healthcare centres, and accordingly increase our market share;

- approximately HK$134.6 million (equivalent to approximately 15% of our total estimated net proceeds) will be used for merger and acquisition of enterprises with traditional Chinese medicines planting capability, and those focus on oral modern Chinese medicines for kidney disease or medical contrast medium; and

- approximately HK$89.8 million (equivalent to approximately 10% of our total estimated net proceeds) will be used for working capital and other general corporate purposes.

We estimate that the aggregate net proceeds to be received by First Kind (after deducting underwriting fees payable by First Kind and assuming an Offer Price of HK$4.00 per Offer Share, being the mid-point of the indicative Offer Price range of HK$3.63 to HK$4.36 per Offer Share) will be approximately HK$145.5 million, assuming that the Over-allotment Option is exercised in full. We will not receive any of such proceeds.

DIVIDEND POLICY AND DISTRIBUTION PRIOR TO LISTING

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. Our dividend payments in the past are no indication to our dividend policy in the future. Please refer to the section headed "FINANCIAL INFORMATION – DIVIDEND POLICY" in this prospectus for a detailed description for our dividend policy.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSET VALUE PER SHARE

Unaudited pro forma adjusted net tangible asset value per Share[(1)]:

Based on an Offer Price of HK$3.63 per Offer Share	**HK$1.33**
Based on an Offer Price of HK$4.36 per Offer Share	**HK$1.51**

Note:

(1) Please refer to "APPENDIX II – UNAUDITED PRO FORMA FINANCIAL INFORMATION" to this prospectus for further details regarding the assumptions used and the calculation method.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Acting in Concert Agreement"	the acting in concert agreement entered into among the Concert Group on 1 January 2002
"Acting in Concert Confirmation"	the acting in concert confirmation executed by the Concert Group on 11 March 2013
"Ample On"	Ample On Investment Limited, a company incorporated in the BVI on 8 September 2006, which is wholly-owned by Mr. WANG Zi Han
"Ample Wise"	Ample Wise Holdings Limited, a company incorporated in the BVI on 10 November 2010, which is wholly-owned by Mr. WANG Zi Han
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company approved by the written resolutions of our Shareholders on 2 December 2013 and effective from the Listing Date, as amended or supplemented from time to time
"Assets Builder"	Assets Builder Consultants Limited, a company incorporated in the BVI on 23 November 2010, the entire issued share capital of which is held by Mr. AN. Only 18.8324% interest is beneficially owned by him. The remaining interests are held by Mr. AN as a trustee for 17 employees or ex-employees of GZ Consun
"Associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of directors of our Company
"BOCI", "Sole Sponsor", "Sole Global Coordinator", "Sole Bookrunner", "Sole Lead Manager" or "Stabilisation Manager"	BOCI Asia Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Brilliant Reach"	Brilliant Reach Group Limited (智達集團有限公司), a company incorporated in the BVI on 8 June 2010, which is wholly-owned by our Company
"Business Day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

"BVI"	British Virgin Islands
"CAGR"	compound annual growth rate
"Cannopus"	Cannopus Investments Limited (香港嘉納博斯投資有限公司) (formerly known as Asian Champion Holdings Limited), a company incorporated in Hong Kong on 6 August 1997 and controlled by Mr. YOUNG since its incorporation
"Capitalisation Issue"	the issue of Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company referred to in the section headed "APPENDIX V – STATUTORY AND GENERAL INFORMATION – Resolutions in writing of the Shareholders passed on 2 December 2013" to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Central Success"	Central Success Developments Limited (中成發展有限公司), a company incorporated in the BVI on 3 August 2012, which is wholly-owned by Mr. AN
"Century International"	Century International Develop Limited (世紀國際拓展有限公司), a company incorporated in Hong Kong on 27 March 2012, which is wholly-owned by Brilliant Reach
"CFDA"	the China Food and Drug Administration of the PRC (中華人民共和國國家食品藥品監督管理總局), and its predecessor(s)
"Companies Law" or "Cayman Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

"Company" or "our Company"	Consun Pharmaceutical Group Limited (康臣葯業集團有限公司) (formerly known as Consun Holdings Limited 康臣控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on 13 December 2010
"Concerted Group"	collectively refers to Mr. YOUNG, Mr. AN and Ms. LI
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Consun (Inner Mongolia)"	Consun Pharmaceutical (Inner Mongolia) Company Limited (康臣藥業(內蒙古)有限責任公司), a company established in the PRC on 29 December 2005, which is wholly-owned by GZ Consun
"Consun Medicine"	Guangzhou Consun Medicine Company Limited (廣州康臣醫藥有限公司), a company established in the PRC on 1 December 2003, which is wholly-owned by GZ Consun
"Consun Research"	Guangzhou Consun Pharmaceutical Research Company Limited (廣州康臣藥物研究有限公司), a company established in the PRC on 28 September 2005, which is wholly-owned by GZ Consun
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, collectively refers to Central Success, Mr. AN, Guidoz, Mr. YOUNG, Double Grace and Ms. LI
"Director(s)"	the director(s) of our Company
"Double Grace"	Double Grace International Limited, a company incorporated in the BVI on 1 July 2010, which is wholly-owned by Ms. LI
"Faithful Gain"	Faithful Gain Investments Limited (信生投資有限公司), a company incorporated in Hong Kong on 18 March 2008, which is wholly-owned by Profitable China
"First Kind"	First Kind International Limited, a company incorporated in the BVI on 6 July 2007, which is wholly-owned by Hony Capital
"GDP"	gross domestic product (all references to GDP growth rates are, unless expressly specified otherwise, to real as opposed to nominal rates of GDP growth)
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Grand Reach"	Grand Reach Company Limited (宏致有限公司), a company incorporated in Hong Kong on 22 April 2008, which is wholly-owned by Immense Value

"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider designated by our Company
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Guidoz"	Guidoz Limited, a company incorporated in the BVI on 13 September 2010, which is wholly-owned by Mr. YOUNG
"GZ Consun"	Guangzhou Consun Pharmaceutical Company Limited (廣州康臣藥業有限公司), a company established in the PRC on 29 December 1997, which is owned as to 75.0% by Century International and 25.0% by Grand Reach
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards issued by HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 25,000,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING" in this prospectus)
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong at the Offer Price, subject to and in accordance with, the terms and conditions set out in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed "UNDERWRITING – HONG KONG UNDERWRITERS" in this prospectus

"Hong Kong Underwriting Agreement"	the underwriting agreement dated 6 December 2013 relating to the Hong Kong Public Offering entered into by, among other parties, our Company, the Sole Global Coordinator and the Hong Kong Underwriters
"Hony Capital"	Hony Capital Fund III, L.P., an exempted limited partnership incorporated under the laws of Cayman Islands on 19 September 2006, the sole shareholder of First Kind
"Immense Value"	Immense Value Holdings Limited, a company incorporated in the BVI on 28 February 2008, which is wholly-owned by our Company
"Independent Third Party(ies)"	party or parties that is or are not connected with us, any Directors, chief executives, Controlling Shareholders, Substantial Shareholders, their respective subsidiaries or any of their respective associates
"International Offer Shares"	the 225,000,000 Shares being offered by our Company for subscription under the International Offering, together, where relevant, with any Shares which may be sold by First Kind pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in the section headed "STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING" in this prospectus
"International Offering"	the offer of the International Offer Shares at the Offer Price outside the United States in reliance on Regulation S, as further described in the section headed "STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING" in this prospectus
"International Underwriter"	the underwriter who is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering to be entered into by, among other parties, our Company, First Kind, the Sole Global Coordinator and the International Underwriter on or about the Price Determination Date
"Issuing Mandate"	the general unconditional mandate granted to our Directors by our Shareholders in relation to the issue of our new Shares, further information is set out in the paragraphs headed "APPENDIX V – STATUTORY AND GENERAL INFORMATION – Resolutions in writing of the Shareholders passed on 2 December 2013" to this prospectus

"Kangji"	Guangzhou Kangji Investment Consultancy Co, Ltd (廣州康基投資諮詢有限公司), a company established in the PRC on 13 October 2008, which is wholly-owned by various employees or ex-employees of GZ Consun
"Kangli"	Guangzhou Kangli Investment Consultancy Co, Ltd (廣州康麗投資諮詢有限公司), a company established in the PRC on 27 September 2008, which is wholly-owned by various employees or ex-employees of GZ Consun
"Kangsheng"	Guangzhou Kangsheng Investment Consultancy Co, Ltd (廣州康勝投資諮詢有限公司), a company established in the PRC on 7 October 2008, which is wholly-owned by various employees or ex-employees of GZ Consun
"Kangyuan"	Inner Mongolia Kangyuan Pharmaceutical Company Limited (內蒙古康源藥業有限公司), a company established in the PRC on 13 June 2000, which is wholly-owned by Consun (Inner Mongolia)
"Latest Practicable Date"	2 December 2013, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	the listing of our Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date, expected to be on or about 19 December 2013, on which dealings in our Shares first commence on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Loyal Team"	Loyal Team Management Limited, a company incorporated in the BVI on 1 July 2010, the entire issued share capital of which is held by Mr. TANG Ning as a trustee for 15 employees or ex-employees of GZ Consun
"M&A Rules"	the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) promulgated in August 2006, effective from September 2006 and amended in June 2009
"Macau"	the Macau Special Administrative Region of the PRC

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market
"Medicine Manufacturing Permit"	the permit (藥品生產許可證) issued by the CFDA at provincial level which any enterprise engage in the manufacture of pharmaceutical products in the PRC is required to obtain
"Medicine Operation Certificate"	the certificate (藥品經營許可證) issued by the CFDA at provincial or designated municipal or county level which any enterprise engage in the distribution or sale of pharmaceutical products in the PRC, whether on a wholesale or retail basis, is required to obtain
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company approved by the written resolutions of our Shareholders on 2 December 2013 and effective from the Listing Date, as amended or supplemented from time to time
"Military Reasonable Medical Treatment Medicines Catalogue"	the Military Reasonable Medical Treatment Medicines Catalogue (軍隊合理醫療藥品目錄), issued by the Medical Department of General Logistics Department of PRC People's Liberation Army in 2009, as amended and supplemented from time to time
"Ministry of Commerce" or "MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Ministry of Science and Technology"	the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部)
"Mr. AN"	Mr. AN Yubao (安郁寶) (formerly known as Mr. AN Yushi (安郁室)), an executive Director, a Controlling Shareholder and the sole shareholder of Central Success
"Mr. YOUNG"	Mr. YOUNG Wai Po, Peter (楊惠波) (formerly known as Mr. YOUNG Wai Po (楊惠波)), one of the co-founders of our Group, a non-executive Director, a Controlling Shareholder and the sole shareholder of Guidoz
"Ms. LI"	Ms. LI Qian (黎倩), an executive Director, a Controlling Shareholder and the sole shareholder of Double Grace
"National List of Essential Medicines"	the National Essential Medicines List (國家基本藥物目錄), issued by the Ministry of Health of the PRC (中華人民共和國衛生部), as amended and supplemented from time to time

"National Medical Insurance Medicines Catalogue"	the State Basic Medical Insurance and Work Injury Insurance Medicines Catalogue (國家基本醫療保險和工傷保險藥品目錄), issued by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) in 2009, as amended and supplemented from time to time
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"New Medicine Certificate"	the certificate issued by the CFDA with respect to any New Medicine at the date when the application for the certificate was made
"NPC" or "National People's Congress"	PRC National People's Congress (中華人民共和國人民代表大會) and its Standing Committee
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) of not more than HK$4.36 and expected to be not less than HK$3.63, such price to be agreed upon by ourselves and the Sole Bookrunner (on behalf of the Underwriters) on or before the Price Determination Date
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares
"Over-allotment Option"	the option to be granted by First Kind to the International Underwriter exercisable by the Sole Global Coordinator, pursuant to which First Kind may be required to sell up to an aggregate of 37,500,000 Shares (representing 15.0% of our Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, details of which are described in the section headed "STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING – OVER-ALLOTMENT OPTION" in this prospectus
"PRC" or "State"	People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, references in this prospectus to the "PRC" do not apply to Hong Kong, Macau and Taiwan
"PRC EIT Law"	PRC Enterprise Income Tax Law (中華人民共和國企業所得税法), as enacted by the NPC on 16 March 2007 and effective on 1 January 2008, as amended, supplemented or otherwise modified from time to time

"PRC Labour Contract Law"	PRC Labour Contract Law (中華人民共和國勞動合同法), as enacted by the Standing Committee of the NPC on 29 June 2007 and effective on 1 January 2008, as amended, supplemented or otherwise modified from time to time
"PRC Legal Advisers"	Jingtian & Gongcheng, a qualified PRC law firm acting as the PRC legal advisers to our Company for the application for the Listing
"Price Determination Date"	the date, expected to be on or about 13 December 2013, on which the Offer Price is to be fixed by agreement between ourselves and the Sole Bookrunner (on behalf of the Underwriters)
"Profitable China"	Profitable China Limited, a company incorporated in the BVI on 28 January 2008, which is wholly-owned by Ample On
"Qian'an"	Guangzhou Qian'an Investment Co., Ltd. (廣州乾安投資有限公司), a company established in the PRC on 8 February 2001, which is wholly-owned by Ms. LI. It changed its company name to 廣州乾安貿易有限公司 (Guangzhou Qian'an Trading Co., Ltd.) on 20 April 2009
"Regulation S"	Regulation S under the U.S. Securities Act
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing, particulars of which are set out under the section headed "HISTORY, REORGANISATION AND CORPORATE STRUCTURE – REORGANISATION" in this prospectus
"Repurchase Mandate"	the general unconditional mandate granted to our Directors by our Shareholders in relation to the repurchase of our Shares, further information of which is set out in the paragraphs headed "APPENDIX V – STATUTORY AND GENERAL INFORMATION – Resolutions in writing of the Shareholders passed on 2 December 2013" to this prospectus
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

"Share(s)"	ordinary share(s) of nominal value of HK$0.1 each in the capital of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 2 December 2013, the principal terms of which are set out under the section headed "APPENDIX V – STATUTORY AND GENERAL INFORMATION – Share Option Scheme" to this prospectus
"Shareholder(s)"	holder(s) of our Share(s)
"SIPO"	the State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局)
"SMERI"	CFDA South Medicine Economic Research Institute (CFDA南方醫藥經濟研究所), a direct reporting unit (直屬單位) of CFDA, and its affiliates, including Guangzhou PICO Medicine Information Co., Ltd.
"SMERI Report"	the industry report on the PRC pharmaceutical markets issued by SMERI in December 2013
"sq.m."	square metres
"State Secret"	information, material, technologies or other matters deemed confidential under the Law of Protection State Secrets (保守國家秘密法) of the PRC, the leakage of which would cause damage to national security and interests
"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into on or about the Price Determination Date between the Stabilisation Manager and Central Success
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"sub-distributors"	sub-distributors of our kidney medicines and medical contrast medium, which source our pharmaceutical products from our third party distributors
"subsidiary(ies)"	has the meaning ascribed to it in section 2 of the Companies Ordinance
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers, as amended from time to time
"Track Record Period"	the three financial years ended 31 December 2012 and the six months ended 30 June 2013

"Underwriters"	the Hong Kong Underwriters and the International Underwriter
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. persons"	U.S. persons as defined in U.S. Securities Act
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Wealthy Hero"	Wealthy Hero Limited, a company incorporated in the BVI on 16 June 2011, the entire issued share capital of which is held by Mr. ZHOU Shangwen. Only 9.4654% interest is beneficially owned by him. The remaining interests are held by Mr. ZHOU Shangwen as a trustee for 13 employees or ex-employees of GZ Consun
"WFOE"	Wholly foreign owned enterprise incorporated and registered under the laws of the PRC
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** Service Provider at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Zijing"	Shenzhen Zijing Industrial Development Co., Ltd. (深圳紫京實業發展有限公司), a company established in the PRC on 7 February 2001, which is owned as to 99.87% by Beijing Hony Investment Management Center Limited Partnership (北京弘毅投資管理中心(有限合夥)) and as to 0.13% by Mr. CAO Yonggang (曹永剛), an Independent Third Party. It changed its company name to Shenzhen Hengdayinghai Industrial Development Co., Ltd. (深圳市恒大盈海實業發展有限公司) on 6 March 2003 and further changed to Shenzhen Hengdayinghai Investment Co., Ltd. (深圳市恒大盈海投資有限公司) on 26 November 2003
"%"	per cent.

All dates and times refer to Hong Kong dates and time.

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"alternative medicines(s)"	alternative medicines (備案藥物) which are selected by the bid evaluation committee of local government
"awareness rate"	the proportion of people among those with the disease who had previously been diagnosed by a medical practitioner
"capsule(s)"	a solid dosage form in which medicine is enclosed in a hard or soft soluble container, usually in a form of gelatin
"chemical medicines"	medicines created by means of chemistry or obtained by chemical processes
"Chinese herb A" and "Chinese herb B"	Chinese herbs, being ingredients of our uremic clearance granule
"Chinese herb C"	Chinese herb, being ingredient of our uremic clearance granule and our kidney repair and edema alleviation granule
"Chinese medicines"	medicines whose clinical function and application are expressed in terms of Chinese medicine theories originated from traditional medical practices in China and which are applied in accordance with Chinese medicine theories
"chronic kidney disease"	the slow loss of kidney function over time
"chronic kidney failure"	when the kidney is severely impaired and almost non-functionable to keep the person alive
"Class I hospitals"	local hospitals with small capacity designated as class I hospitals by the Ministry of Health hospital classification system that provide one community with elementary medical services
"Class II hospitals"	regional hospitals with minimum capacity designated as class II hospitals by the Ministry of Health hospital classification system that provide multiple communities with integrated medical services and undertake certain educational and scientific research missions
"Class III hospitals"	multi-regional hospitals with large capacity designated as class III hospitals by the Ministry of Health hospital classification system that provide multiple regions with high quality professional medical services, undertake higher education and scientific research initiatives and are followed by lower ranked Class II and Class I hospitals

"CT"	computer tomography, an imaging method that uses x-rays to produce a detailed picture of a cross-section of the body
"dialysis"	a process of cleansing the blood by passing it through a special device. It is necessary when the kidney is not able to filter the blood
"evidence-based practice"	the use of mathematical estimates of the risk of benefit and harm, derived from high-quality research on population samples, to inform clinical decision-making in the diagnosis, investigation or management of individual patients
"gadopentetate dimeglumine injection"	gadopentetate dimeglumine injection (釓噴酸葡胺注射液), a chemical medicine, being one of our key products
"GAP" or "Good Agricultural Practices"	Good Agricultural Practices, which are guidelines that describe the general principles and provide technical details for the cultivation of medicinal plants. They also describe quality control measures
"Generic Medicines"	medicines which have been launched in the PRC, being those medicines other than the New Medicines
"GFR"	glomerular filtration rate (腎小球濾過率), is a measure of filtering capacity of the kidneys
"GMP" or "Good Manufacturing Practices"	Good Manufacturing Practices, which are guidelines and regulations issued to ensure that pharmaceutical products within those guidelines and regulations are consistently produced and controlled to the quality and standards appropriate for their intended use
"granule(s)"	a form in which medicines may be delivered for oral ingestion, produced by missing extracted active medicinal ingredients with supplemental materials or powdered medicines which are formed into dry granules
"GSP" or "Good Supply Practice"	Good Supply Practices, which are guidelines and regulations issued as part of quality assurance to ensure that pharmaceutical distribution enterprises distribute pharmaceutical products in compliance with those guidelines and regulations
"high throughput screening"	a technology that employs automation and robotics to conduct thousands of biological assay experiments within a short period of time and can be used to screen potential medicine candidates

"injection"	sterile solution injection, emulsion injection or suspension injection which can be applied by way of intramuscular injection, intravenous injection or intravenous drip
"iu"	international unit, an unit of measurement for the amount of a substance, based on biological activity or effect
"kidney repair and edema alleviation granule"	kidney repair and edema alleviation granule (益腎化濕顆粒), a modern Chinese medicine, being one of our products
"LC-MAS"	liquid chromatography-mass spectrometry
"magnetic resonance image"	an image formed in the process of MRI
"medical contrast medium"	a substance used to enhance the contrast of structures or fluids within the body in medical imaging
"medical institutions"	institutions created for the practice of medicine, and for the purpose of this prospectus, exclude hospitals
"modern Chinese medicine(s)"	medicines based on traditional Chinese medicine theories that retain the properties of traditional Chinese medicines, and which are produced using modern production processes and techniques and typically in modern formulations, such as capsule and injection
"MRI"	magnetic resonance imaging, a procedure in which radio waves and a powerful magnet linked to a computer are used to create detailed pictures of areas inside the body. These pictures can show the difference between normal and diseased tissue
"ml"	millilitre, a metric unit of volume equals to one thousandth of a litre
"mu"	milliunits, an unit of measurement equals to one thousandth of an iu
"New Medicines"	medicines which have never been launched in the PRC market previously as defined under the Registration Measures
"oral solution"	a form of medicine in which medicine is dissolved in a liquid and to be taken orally
"OTC medicines" or "over-the-counter medicines"	medicines which may, upon receiving CFDA approval, be sold over the counter in the PRC at dispensers, pharmacies or retail outlets without requiring a prescription by a medical practitioner

"other medicines"	for the purpose of this prospectus, our products other than the kidney medicines and medical contrast medium
"pill(s)"	a medicinal substance in a small round or oval mass meant to be swallowed
"prescription medicine(s)"	medicines which may be prescribed only by qualified medical practitioners
"prevalence rate"	the proportion of people in a population who have a particular disease at a specified point in time, or over a specified period of time
"Registration Measures"	Measures on the Administration of Pharmaceutical Products Registration (藥品註冊管理辦法), promulgated by the CFDA on 10 July 2007 and effective from 1 October 2007
"retail price"	the price at which pharmaceutical products are sold to the end users
"soft capsule(s)"	a form in which medicines are produced by mixing extracted active medicinal ingredients with supplemental materials so as to achieve uniform concentration of medicinal ingredients, which are sealed in a soft gelatine capsule
"successful bidding price"	the successful bidding price at which non-profit-making hospitals and other non-profit-making medical institutions purchase the pharmaceutical products selected at the collective statutory tender process
"tablet(s)"	dose of medicine in the form of a small pellets
"traditional Chinese medicine"	medicines where the active ingredients come from or are derived from natural plants, animals or minerals according to traditional Chinese medicine theory and practice
"uremic clearance granule"	uremic clearance granule (尿毒清顆粒), a modern Chinese medicine, being one of our key products
"western medicines"	encompasses a range of medicines theories and practices evolved to maintain and restore human health, including diagnosis and treatments derived from dissection, microscopic analysis and chemical derivation, other than Chinese medicines
"wholesale price"	the price at which pharmaceutical manufacturers sell their pharmaceutical products to distributors, hospitals, medical institutions or pharmacies
"μg"	micrograms, an unit of mass equals to one millionth of a gram

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters.

The words "anticipate", "believe", "could", "predict", "potential", "continue", "expect", "intend", "may", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, amongst others, those relating to our future business prospects, capital expenditures, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed "RISK FACTORS" in this prospectus. Accordingly, such statements are not guarantees of future performance and you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

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

RISKS RELATING TO OUR BUSINESS

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

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

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

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

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

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

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

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

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

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

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

We rely on our third party distributors to sell our products

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may be unable to adequately protect our intellectual property rights

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RISKS RELATING TO THE PHARMACEUTICAL INDUSTRY

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

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

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

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

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

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

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

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

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

The PRC pharmaceutical industry is highly competitive

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

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

RISKS RELATING TO THE PRC

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

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

We may not declare dividends in the future

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

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

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

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

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

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

New investors will incur immediate dilution and may experience further dilution

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

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

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

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

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

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Main Board to have a sufficient management presence in Hong Kong. This normally means that at least two of the issuer's executive Directors must be ordinarily resident in Hong Kong. Since all of the principal business operation and manufacturing facilities of our Group are located in Guangzhou and Inner Mongolia of the PRC, substantially all of our Directors and our senior management team has been and will continue to be based in the PRC.

At present, our executive Directors and four out of six of our non-executive Directors (including independent non-executive Directors) are not ordinarily resident in Hong Kong. Further, our Directors consider that it would be practically difficult and not commercially feasible for our Company to appoint additional Hong Kong residents as executive Directors or to relocate any of our existing executive Directors to Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules. We do not have, and do not contemplate in the foreseeable future, that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

In this regard, we have applied to the Stock Exchange and the Stock Exchange has granted a waiver to our Company from strict compliance with the requirement under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange we will put in place the following measures to ensure that regular communication is maintained between the Stock Exchange and us:

- our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, namely, Mr. AN, our executive Director, and Mr. YAU Chi Ming, our company secretary, who will act as our principal channel of communication with the Stock Exchange. Mr. YAU Chi Ming is ordinarily resident in Hong Kong. Each of our authorised representatives has furnished his contact details to the Stock Exchange and has confirmed that each of them will be able to meet with the Stock Exchange in Hong Kong within a reasonable time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and electronic means.

- Each of our authorised representatives will be provided means to contact all of our Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Each of them is authorised to communicate on behalf of our Company with the Stock Exchange.

- All of our Directors who are not ordinarily resident in Hong Kong have also confirmed that they possess valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange in Hong Kong within a reasonable period of time when required. Also, each of our Directors has furnished his mobile phone number, office phone number, e-mail address and fax number to the Stock Exchange should the Stock Exchange wish to contact any of our Directors.

- our Company has retained a compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date and it will act as an additional channel of communication of our Company with the Stock Exchange.

- our Company shall also appoint other professional advisers (including legal advisers and accountants) after the Listing to assist our Company in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be efficient communication with the Stock Exchange.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules, Chapter 571V of the Laws of Hong Kong and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Having made all reasonable enquiries, our Directors confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive in any material respect, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Hong Kong Public Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, any of the Underwriters, any of their respective Directors, agents, employees or advisers or any other party involved in the Global Offering.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. Details of the terms of the Global Offering are described in the section headed "STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING" in this prospectus.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date. The Hong Kong Public Offering and the International Offering are subject to the agreement on the Offer Price between the Sole Bookrunner (on behalf of the Underwriters) and us on the Price Determination Date. For details of the Underwriters and the underwriting arrangements, please refer to the section headed "UNDERWRITING" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

Each person acquiring the Hong Kong Offer Shares will be required to, or be deemed by his/her acquisition of Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on offers of the Hong Kong Offer Shares described in this prospectus and that he/she is not acquiring, and has not been offered, any Hong Kong Offer Shares in circumstances that contravene any such restrictions.

No action has been taken in any jurisdiction other than Hong Kong to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue, the Offer Shares, Shares to be issued pursuant to the Capitalisation Issue and any Shares which may be issued upon the exercise of any options to be granted under the Share Option Scheme. Dealings in our Shares on the Stock Exchange are expected to commence on or around Thursday, 19 December 2013.

None of our Shares or loan capital are listed on or dealt in on any other exchange and no such listing or permission to list is being or proposed to be sought in the near future.

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

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sole Global Coordinator, the Sole Sponsor, any of the Underwriters, any of their respective Directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects

on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Our Company's principal register of members will be maintained by Appleby Trust (Cayman) Ltd. in the Cayman Islands.

Dealings in our Shares registered on the register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in HK$ have been translated, for the purpose of illustration only, into RMB, and vice versa, in this prospectus at the following rates:

HK$1 : RMB0.79

No representation is made that any amounts in RMB or HK$ can be or could have been at the relevant date converted at the above rate or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons, companies, other entities or product names included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares are set out in the section headed "HOW TO APPLY FOR HONG KONG OFFER SHARES" in this prospectus and in the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING" in this prospectus.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. AN Yubao (安郁寶先生)	Room 1101 24 Heng Jing Jie, Nanzhou Road Haizhu District, Guangzhou City Guangdong province, PRC	Chinese
Ms. LI Qian (黎倩女士)	20, 33rd Street, Fenghuyuan Country Garden Phoenix City Zengcheng Guangdong province, PRC	Chinese
Professor ZHU Quan (朱荃教授)	9, 16th Street, Fengyangyuan Country Garden Phoenix City Zengcheng Guangdong province, PRC	Chinese
Non-executive Directors		
Mr. YOUNG Wai Po, Peter (楊惠波先生)	Unit A, 16th Floor, Block 1, Grand Garden 61 South Bay Road Hong Kong	Australian
Mr. WANG Shunlong (王順龍先生)	Room A, 35th Floor, Tower 5, Phase 4 Residence Bel-Air On the Peak 68 Bel-Air Peak Avenue Hong Kong	Chinese
Mr. WANG Zi Han (王紫翰先生)	A08 Chunshuian Huaqiao City Shenzhen, PRC	Chinese
Independent non-executive Directors		
Mr. SU Yuanfu (蘇元福先生)	Room 1102, Unit 1, 6th Block 25 Taiping Road Haidian District Beijing, PRC	Chinese
Mr. FENG Zhongshi (馮仲實先生)	Room 207, Block No. 5 Li Ze Ya Yuan, Xi Ke Zhan Nan Road Feng Tai District Beijing, PRC	Chinese
Ms. CHENG Xinxin (成欣欣女士)	Room 902, Building 2 376 Beijing Road Yuexiu District Guangzhou, PRC	Chinese

PARTIES INVOLVED

Sole Sponsor, Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	BOCI Asia Limited 26th Floor, Bank of China Tower 1 Garden Road Central Hong Kong
Legal advisers to our Company	*As to Hong Kong law:* Li & Partners 22nd Floor, World-Wide House Central Hong Kong *As to PRC law:* Jingtian & Gongcheng 34th Floor, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing, PRC *As to Cayman Islands law:* Appleby 2206-19, Jardine House 1 Connaught Place Central Hong Kong
Legal advisers to the Underwriters	*As to Hong Kong law:* Eversheds 21st Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law:* Jia Yuan Law Offices F408, Ocean Plaza 158 Fuxing Men Nei Avenue Xicheng District Beijing, PRC

Auditors and reporting accountants	KPMG 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Property valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6th Floor, Three Pacific Place 1 Queen's Road East Hong Kong
Cayman Islands principal share registrar and transfer office	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Receiving bank	Bank of China (Hong Kong) Limited 1 Garden Road Central Hong Kong

Registered address	Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY 1-1108 Cayman Islands
Headquarter in the PRC	71, Dongpeng Avenue Eastern section, Guangzhou Economic and Technological Development District Guangzhou, PRC
Principal place of business in Hong Kong	22nd Floor World-Wide House 19 Des Voeux Road Central Hong Kong
Website address	www.chinaconsun.com(1)
Company secretary	Mr. YAU Chi Ming, *CPA*
Authorised representatives for the purpose of the Listing Rules	Mr. AN Room 1101 24 Heng Jing Jie, Nanzhou Road Haizhu District, Guangzhou City Guangdong province, PRC Mr. YAU Chi Ming, *CPA* Flat 3, 18/F., Block A Ka Tin Court Shatin, the New Territories Hong Kong
Authorised representative for purpose of Part XI of the Companies Ordinance	Li & Partners Rooms 2201-03, 22nd Floor World-Wide House 19 Des Voeux Road Central Hong Kong
Audit committee	Ms. CHENG Xinxin *(Chairman)* Mr. WANG Shunlong Mr. FENG Zhongshi
Remuneration committee	Mr. FENG Zhongshi *(Chairman)* Ms. LI Mr. SU Yuanfu

Note:

(1) The information contained on the website of our Company does not form part of this prospectus.

Nomination committee	Mr. SU Yuanfu *(Chairman)* Mr. AN Ms. CHENG Xinxin
Compliance adviser	Messis Capital Limited Room 1606, 16/F Tower 2, Admiralty Centre 18 Harcourt Road Hong Kong
Principal bankers	China Merchants Bank Guangzhou Economic and Technological Development District Sub-branch First Floor, 428 Kaifa Main Road Guangzhou Economic and Technological Development District Guangzhou, PRC Ping An Bank Guangzhou Yuexiu Sub-branch First Floor and 17th Floor Xinbaoli Building 2 Zhongshan 6th Road Yuexiu District Guangzhou, PRC Industrial and Commercial Bank of China Kezuohouqi Sub-branch Mid-section, Bayan Road Ganqika Town Tongliao Inner Mongolia autonomous region, PRC

We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor, the Sole Lead Manager, any of the Underwriters or any of our or their respective directors, officers or representatives or any other party involved in the Global Offering and no representation is given as to its accuracy.

SOURCE OF INFORMATION AND DATA

We commissioned SMERI, an independent consultant, to provide SMERI Report for use in this prospectus. As a direct reporting unit of CFDA, and with a nation-wide data collection network, SMERI specialises in researching in the PRC pharmaceutical industry and has provided market research and analysis for a number of companies listed in the stock exchange in the PRC and the Stock Exchange.

SMERI prepared its report based on data released by government institutions, including the National Bureau of Statistics, the Ministry of Health of the PRC, and the CFDA, as well as data gathered by SMERI and analysis performed by SMERI based on the available data. Where necessary, SMERI visited companies operating in the industry to gather and synthesise information about the market and other relevant information. The market size of pharmaceutical products stated in SMERI Report are based on the retail sales of such products, and accordingly do not reflect the actual revenue generated by the relevant pharmaceutical manufacturers. Information on retail sales of the products has been derived by SMERI from various sources, such as collecting retail sales information from more than 3,000 pharmacies in 33 cities and over 600 hospitals or medical institutions in 20 cities in the PRC, and conducting interviews with leading industry participants and industry experts. The information derived from SMERI Report and contained herein has been obtained from sources believed by SMERI to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Forecasts and assumptions included in SMERI Report are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including, without limitation, the actions of government, individuals, third parties and competitors.

The projections in SMERI Report were based on the assumptions that during the projection period: (i) there will be a steady development of the PRC pharmaceutical industry similar to the current trend of development; (ii) there will be no revolutionary change in the diagnosis and treatment of the subject disease; and (iii) no medical accident will occur in relation to the subject product. The figures were projected with references to the current market condition and research and development status of the subject market, and taking into account of the population of the PRC and the structure thereof, the prevalence rate of the subject disease, the economic development, the living standard, the change in lifestyle, the health awareness and the macro government policies in the PRC.

This prospectus contains information extracted from SMERI Report in sections such as "INDUSTRY OVERVIEW", "BUSINESS" and "FINANCIAL INFORMATION". The fee payable to SMERI for the preparation and update of SMERI Report is RMB450,000. The payment of such amount is not contingent upon our successful Listing or on the results of SMERI Report. Except for SMERI Report, we did not commission any other report in connection with the Global Offering.

GROWTH OF THE PHARMACEUTICAL MARKET IN THE PRC

Overview

The PRC had maintained good economic growth from 2008 to 2012. The total GDP of the PRC had increased sustainably from RMB31,404.5 billion in 2008 to RMB51,932.2 billion in 2012, increasing at a CAGR of 13.4%. The pharmaceutical market in the PRC has grown rapidly in recent years. According to SMERI Report, the market size of the PRC pharmaceutical market grew from RMB786.3 billion in 2008 to RMB1,784.5 billion in 2012. The growth in the market size of the PRC pharmaceutical market outpaced the growth in GDP of the PRC between 2008 and 2012, with the market size of the PRC pharmaceutical market increasing at a CAGR of 22.7%, almost doubling the growth of GDP over the same period.

Driving forces of the PRC pharmaceutical industry

Increase in disposable income and health awareness

Along with the GDP growth, the PRC's population has experienced steady increase in disposable income in urban areas and net income in rural areas, which is expected to contribute to the increase in the total pharmaceutical spending in the PRC. The growth in the medical and healthcare spending was due to the rise in living standards of the PRC residents accompanying the economic development and the increase in health awareness. According to SMERI Report, the average per capita annual disposable income of urban households in the PRC increased from RMB15,781 in 2008 to RMB24,565 in 2012, increasing at a CAGR of 11.7%, and the average annual spending on medical and healthcare sector per urban resident increased from RMB786.2 in 2008 to RMB969 in 2011, increasing at a CAGR of 5.4%, compared to the average per capita annual net income of rural households which increased from RMB4,761 in 2008 to RMB7,917 in 2012, increasing at a CAGR of 13.6%, and the average annual spending on medical and healthcare sector per rural resident which increased from RMB246 in 2008 to RMB437 in 2011, increasing at a CAGR of 15.5%.

Increase in urbanisation

The urban population of the PRC, which has greater needs for and access to medical care, has significantly higher per capita medical and healthcare expenditures than that of the rural population and has been a major contributor to the PRC's total medical and healthcare spending. According to SMERI Report, in 2011, the average annual spending per urban resident in the PRC on medical and healthcare sector was RMB969, compared to RMB437 for the rural population, with the percentage of urban population grew from 45.7% to 52.6% from 2008 to 2012.

Aging population and the prevalence of chronic health problems

Between 2008 and 2012, the population of the PRC only slightly increased from 1,328.0 million to 1,354.0 million. SMERI Report shows that despite the relatively slow growth in total population during the period, the number of the PRC population aged 60 and above grew from 159.9 million in 2008 to 185.0 million in 2011, representing a CAGR of 5.0%. Chronic health problems are particularly prevalent among the elderly. The increasing number of people aged 60 and above in the PRC is expected to drive the demand for medical and healthcare products and services in the PRC and the growth of the PRC's pharmaceutical industry. The proportion of the population aged 60 and above represented 13.7% of total population in 2011 and is expected to continue to grow.

Increasing government initiatives and spending relating to the medical industry

The PRC government has implemented a medical reform plan to encourage and promote the development of the PRC medical industry. As part of the Eleventh Five-Year Plan for National Economic and Social Development of the PRC (中華人民共和國國民經濟和社會發展第十一個五年規劃綱要), the PRC government has provided a number of incentives and enacting programs to improve the affordability and accessibility of medical services and products, including building more hospitals, research centres and other medical facilities, enacting medical reforms, improving medical and healthcare standards and increasing medical subsidies. In 2009, the PRC government announced that it planned to invest RMB850.0 billion between 2009 and 2011 to implement a series of programmes under the medical reform plan, the majority of which are for increasing the subsidy standards for the new rural cooperation medical system and urban residents, and for subsidising medical and health institutions at the primary level and professional public health institutions.

As part of the subsequent Twelfth Five-Year Plan for National Economic and Social Development of the PRC (中華人民共和國國民經濟和社會發展第十二個五年規劃綱要), the PRC government sets out to make available more medical resources to the rural population and the suburban communities. In particular, it aims to improve the social medical insurance programme, increase the amount of benefits under such programme, continue to implement the essential medicines programme, as well as increase the number of community healthcare centres and clinics.

Expansion of the coverage of the social medical insurance system in the PRC

The social medical insurance system run by the PRC government primarily consist of three schemes, namely: (i) the urban worker basic medical insurance system (城鎮職工基本醫療保險制度), a mandatory scheme covering urban workers, (ii) the urban resident basic medical insurance system (城鎮居民醫療保險制度), a voluntary scheme covering the rest of the urban residents not covered by the urban worker basic medical insurance system, and (iii) the new rural cooperation medical system (新型農村合作醫療制度), a scheme that provides medical coverage for the rural population, and is supplemented by the urban and rural medical salvage system (城鄉醫療救助制度), a scheme targeted at the low-income group of residents. According to SMERI Report, the population covered by the social medical insurance system run by the PRC government increased from 1.1 billion in 2008 to 1.3 billion in 2012, representing an increase of 17.8%, and as of the end of 2012, the social medical insurance system collectively covered 98.3% of the PRC population.

The PRC government has expanded both the population coverage of and the benefits under the social medical insurance system to maximise the effectiveness. Under the new rural cooperation medical system, funds for reimbursing the participants' medical spending comprised participants' contribution and PRC government's subsidy. According to SMERI Report, the amount of such funds increased from RMB96.3 per capita in 2008 to RMB308.5 per capita in 2012, representing a CAGR of 33.8%, and is expected to increase further in the future.

Increasing number of medical institutions

According to SMERI Report, the number of medical institutions experienced constant growth from 2008 to 2012, in particular, the number of hospitals in the PRC (which are classified into Class I, Class II and Class III based on their functions, facilities and staff's expertise) had experienced a steady growth from 19,712 in 2008 to 23,170 in 2012, commanding a CAGR of 4.1%. Therefore, the PRC pharmaceutical market is projected to continue to experience a significant growth in the future, and has potential to be the second largest pharmaceutical market globally in 2020, according to SMERI Report.

MODERN CHINESE MEDICINES MARKET IN THE PRC

As an integral part of the PRC pharmaceutical industry, the pharmaceutical products market in the PRC consists of seven segments: (i) chemical medicines; (ii) modern Chinese medicines; (iii) chemical bulk medicines; (iv) biological medicines; (v) medical equipments and devices; (vi) healthcare and medical materials; and (vii) Chinese herbal pieces. According to SMERI Report, it is estimated that the market size of the PRC pharmaceutical product market grew from RMB786.3 billion in 2008 to RMB1,784.5 billion in 2012, representing a CAGR of 22.7%. The following table shows the growth of pharmaceutical product market in the PRC by segment from 2008 to 2012:

Segment	2008	2009	2010	2011	2012	CAGR (2008-2012)
			(RMB billion)			*%*
Chemical medicines	225.0	277.0	342.8	414.1	502.4	22.2
Modern Chinese medicines	156.7	193.6	247.4	331.9	407.9	27.0
Chemical bulk medicines	170.7	195.6	243.8	293.4	329.0	17.8
Biological medicines	79.5	102.4	126.1	168.2	177.5	22.3
Medical equipments and devices	79.0	93.2	114.1	133.7	156.5	18.6
Healthcare and medical materials	39.2	51.0	62.3	94.3	112.2	30.1
Chinese herbal pieces	36.3	44.1	63.4	77.1	99.0	28.6
Total	786.3	956.8	1,199.9	1,512.6	1,784.5	22.7

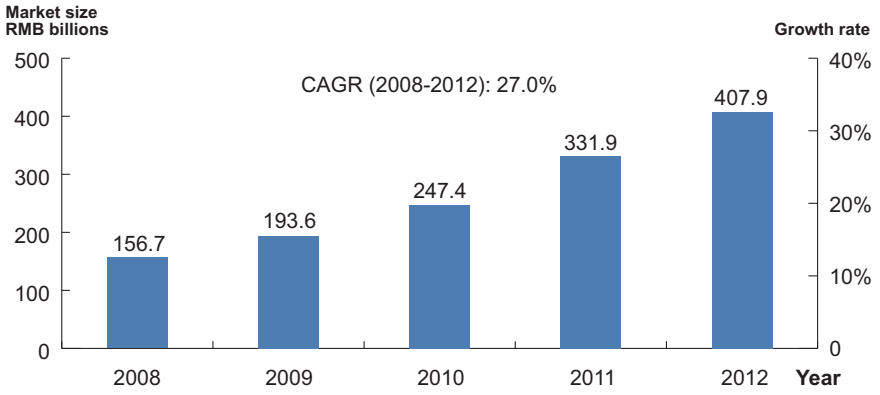
Source: SMERI Report

Traditional Chinese medicines are prepared from natural materials such as plants, animals and minerals, etc. based on traditional Chinese medical theory of correcting the imbalance between the human body with the environment and the imbalance among the organs. However, traditional Chinese medicines require lengthy preparation by the user, usually by boiling and simmering, before consumption. Also, it is difficult to control the quality and the dosage of traditional Chinese medicines.

To address the disadvantages described above, modern Chinese medicines combine the ancient medical theories and the traditional Chinese medicines with modern production techniques and intake methods. Advanced research and production techniques have allowed the identification and extraction of the specific curative ingredients from the traditional Chinese medicines facilitating and increasing concentrated delivery of the effective elements of the medicines in standardised dosages, and increasing their effectiveness and convenience. Modern Chinese medicines can be produced in forms of, including tablets, capsules and granules for immediate use which make them more appealable to the public.

According to SMERI Report, the modern Chinese medicines market is the second largest segment of the PRC pharmaceutical products market and the market size of the modern Chinese medicines represented 22.9% of that of the PRC pharmaceutical products in 2012. In recent years, following the development of economy and the pharmaceutical market in the PRC, and the public's increasing acceptance of modern Chinese medicines, the market size of modern Chinese medicines in the PRC has increased rapidly. The market size of modern Chinese medicines market in the PRC increased from RMB156.7 billion in 2008 to RMB407.9 billion in 2012, representing a CAGR of 27.0%.

The following chart shows the market size of modern Chinese medicines from 2008 to 2012:



Source: SMERI Report

KIDNEY MEDICINES MARKET IN THE PRC

Kidney disease is a group of diseases with symptoms or origins from or related to the kidney. Certain factors or lifestyle, such as overwork, drug toxicity, unhealthy diet, and physical inactivity, may lead to increased risks of kidney disease. Chronic kidney disease and acute kidney disease are two major forms of kidney disease.

Chronic kidney disease is a progressive loss of kidney function over times. The major types of chronic kidney disease include chronic kidney failure, chronic glomerulonephritis, hypertensive kidney disease, and diabetic nephropathy. Patients with chronic kidney disease is divided into five stages of increasing severity. According to the diagnostic criteria normally adopted in the PRC, patients with chronic kidney disease at the second to fifth stages are classified as having chronic kidney failure. Under most cases, once a patient is diagnosed with chronic kidney failure, medication has to be started from then on to control the situation and prevent worsening of the condition, and the condition is mostly irreversible.

The following table below shows the description of the five stages of chronic kidney disease:

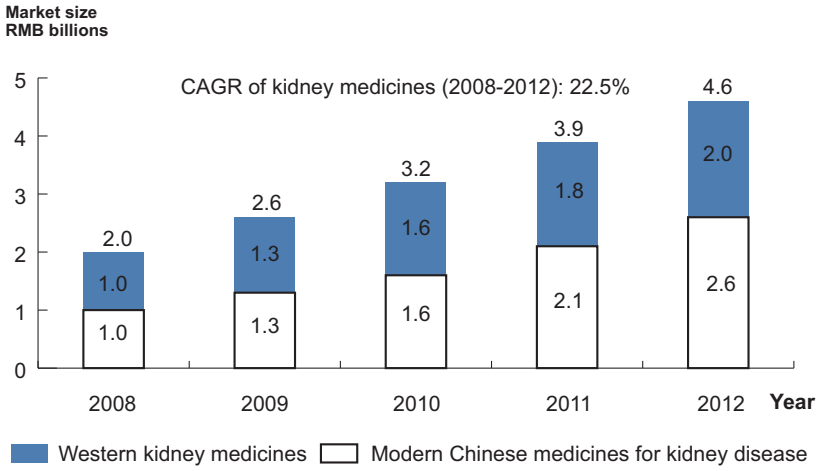
	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Description of each stage	Early kidney damage with normal or even increased GFR	Worse kidney damage with slightly reduced GFR	Moderately reduced GFR	Severely reduced GFR	Kidney failure
Treatment options	Identifying cause and trying to reverse it	Monitoring creatinine level, blood pressure, and general health and well-being. Stopping or slowing the worsening of kidney function	Stopping or slowing the worsening of kidney function. Patients learning more about the disease and treatment options	Planning and creating access site for dialysis. Receiving assessment for possible kidney transplantation	Starting renal replacement therapy: dialysis or kidney transplantation

Source: SMERI Report

In recent years, more patients suffering from chronic kidney disease are aware of their condition. According to SMERI Report, the awareness rate of chronic kidney disease in the PRC has increased from 8.7% in 2007 to 12.5% in 2010.

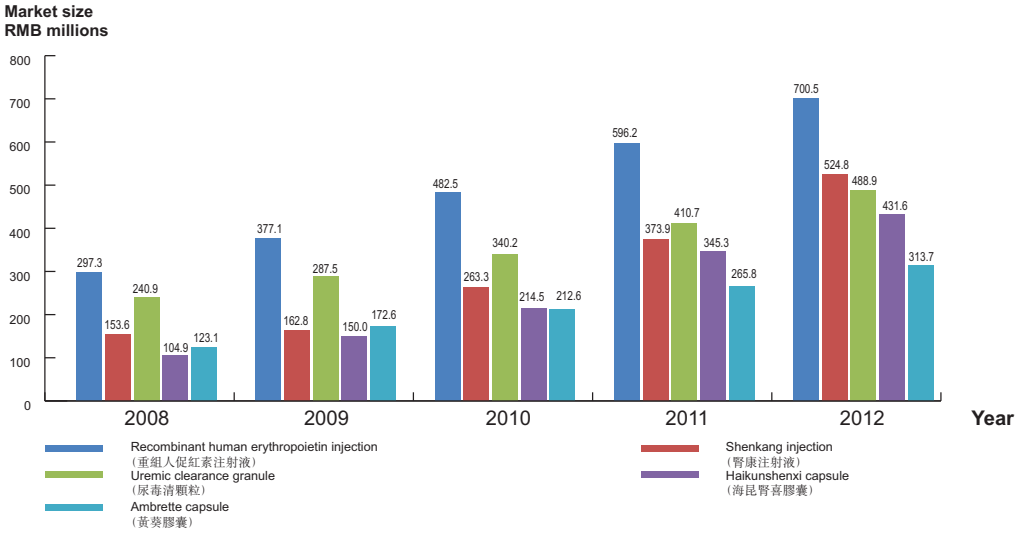
Market size of kidney medicines in the PRC

Most patients suffering from kidney disease need to rely on and receive long-term medical treatment to control their condition. Due to the increasing health awareness among the PRC population, the market size of kidney medicines has also been increasing steadily from 2008 to 2012. According to SMERI Report, the market size of kidney medicines increased from RMB2.0 billion in 2008 to RMB4.6 billion in 2012, representing a CAGR of 22.5%. The major categories of kidney medicines include modern Chinese medicines and western medicines. The following chart shows the market size of kidney medicines by category in the PRC from 2008 to 2012:



Source: SMERI Report

According to SMERI Report, there were approximately 130 kidney medicines in the PRC in each year during 2008 to 2012, and four of the top five kidney medicines, including our uremic clearance granule, were modern Chinese medicines. Modern Chinese medicines are commonly used for comprehensive conditioning and are generally more conductive to the treatment of kidney disease compared to other types of medicines. The macro-policies of the PRC government has also encouraged the use of modern Chinese medicines. As a result, the market size of the modern Chinese medicines for kidney disease grew more rapidly than that of western kidney medicines, with its market share growing from 51.4% in 2008 to 55.6% in 2012. The following chart shows the market size of the top five kidney medicines in the PRC from 2008 to 2012:



Source: SMERI Report

Our uremic clearance granule has also consistently ranked among the top three in the market of kidney medicines in the PRC from 2008 to 2012 in terms of retail sales, according to SMERI Report. The following table shows the top five kidney medicines in the PRC from 2008 to 2012:

Rank	Product name	Manufacturer	Major usage	Market share					Total size per unit	Average retail price in 2012	National List of Essential Medicines	National Medical Insurance Medicines Catalogue	Product Category
				2008	2009	2010	2011	2012		*(RMB)*			
1	Recombinant human erythropoietin injection (重組人促紅素注射液)	Liaoning Shenyang Sansheng Pharmaceutical Co., Ltd. (遼寧瀋陽三生製藥有限責任公司)	Treating anaemia caused by kidney malfunctions or chemotherapy for non-myeloid malignancies, and red blood cells mobilisation that occurs during surgery periods	14.6%	14.7%	15.2%	15.5%	15.3%	0.01mu 3,000iu 4,000iu	114.5 31.5 47.3	No	Yes	Western medicine
2	Shenkang injection (腎康注射液)	Xian Shijishengkang Pharmaceutical Co., Ltd. (西安世紀盛康藥業有限公司)	Treating chronic kidney failure by enhancing body circulation and blood detoxification	7.5%	6.3%	8.3%	9.7%	11.4%	20ml	58.3	No	Yes	Modern Chinese medicine
3	**Uremic clearance granule (尿毒清顆粒)**	**Our Group**	**Treating (i) chronic kidney failure by lowering creatinine and urea nitrogen, stabilising kidney functions and delaying dialysis; and (ii) renal anaemia by increase blood calcium level and lower blood phosphorus level**	**11.8%**	**11.2%**	**10.7%**	**10.6%**	**10.6%**	**90 grams 75 grams**	**69.6 58.2**	**Yes**	**Yes**	**Modern Chinese medicine**
4	Haikunshenxi capsule (海昆腎喜膠囊)	Jilin Province Huinan Changlong Bio-pharmacy Company Limited (吉林省輝南長龍生化藥業股份有限公司)	Treating chronic kidney failure by detoxification	5.2%	5.8%	6.8%	9.0%	9.4%	4 grams	75.9	No	No	Modern Chinese medicine
5	Ambrette capsule (黃葵膠囊)	SZYY Group Pharmaceutical Limited (江蘇蘇中藥業集團股份有限公司)	Treating chronic nephritis by clearing the dampness and heat in the body, detoxification and reducing swelling	6.0%	6.7%	6.7%	6.9%	6.8%	15 grams	35.7	No	Yes	Modern Chinese medicine

Source: SMERI Report

SMERI has advised that medicines treating same types of diseases may generally be considered as alternatives to each other. However, in practice, whether one medicine can be treated as a substitute for the other largely depends on the medical practitioners' specific knowledge of such medicines and their prescription pattern.

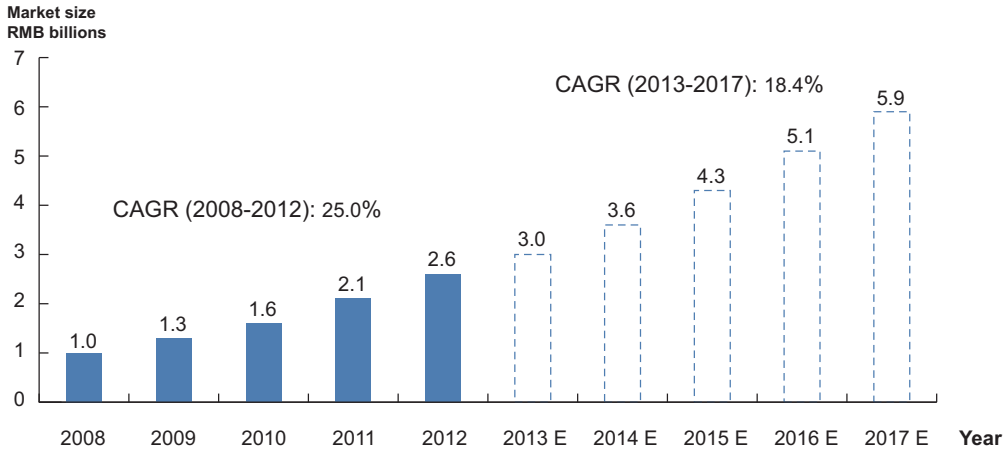
According to SMERI Report, there was no new western medicine for kidney disease as of the Latest Practicable Date, and there are two new modern Chinese medicines for kidney disease, which are under registration process of CFDA. As it normally takes about three to five years for a pharmaceutical manufacturer to obtain the required approval for the production and sale of a pharmaceutical product after it has submitted the application for registration, it is unlikely that the new products will be introduced to and materially change the current market of modern Chinese medicines for kidney disease in the PRC in the near future.

Modern Chinese medicines for kidney disease in the PRC

According to SMERI Report, the market size of modern Chinese medicines for kidney disease in the PRC increased from RMB1.0 billion in 2008 to RMB2.6 billion in 2012. Our uremic clearance granule ranked first in four consecutive years from 2008 to 2011 in the market of modern Chinese medicines for kidney disease in the PRC in terms of retail sales. Although the retail sales of our uremic clearance granule experienced a substantial growth from RMB410.7 million in 2011 to RMB488.9 million in 2012, representing a growth rate of 19.0%, our uremic clearance granule ranked second in the market of modern Chinese medicines for kidney disease in the PRC in 2012, mainly as a result of the more rapid growth of one of our competing products, shenkang injection (腎康注射液), which is the only modern Chinese medicine for kidney disease in the form of injection.

Future trend of modern Chinese medicines for kidney disease

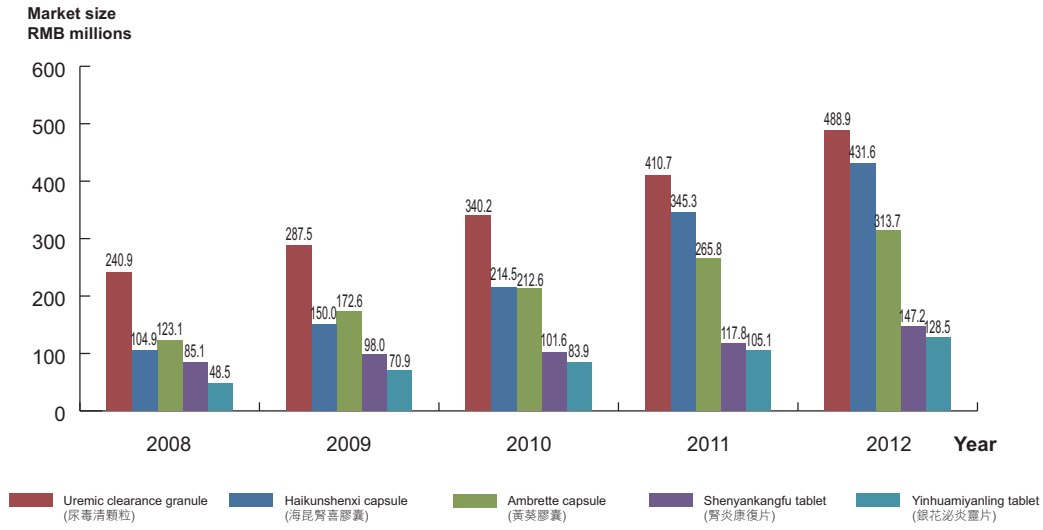
According to SMERI Report, aside from the driving forces of the general pharmaceutical industry in the PRC, the market of modern Chinese medicines for kidney disease is also driven by the public's increasing recognition in the distinguished curative effects of modern Chinese medicines in comprehensive conditioning and its mild side effect in treating kidney disease and its convenient intake method. SMERI projects that the market size of modern Chinese medicines for kidney disease will grow from RMB3.0 billion in 2013 to RMB5.9 billion in 2017, with a CAGR of 18.4% from 2013 to 2017. The following chart shows the market size of modern Chinese medicines for kidney disease in the PRC from 2008 to 2012 and the forecast for 2013 to 2017:



Source: SMERI Report

Oral modern Chinese medicines for kidney disease in the PRC

According to SMERI Report, most of the modern Chinese medicines for kidney disease are in oral form, representing approximately 80% of the market share. The market size of oral modern Chinese medicines for kidney disease in the PRC increased from RMB0.9 billion to RMB2.0 billion in 2012. The following chart shows the market size of the top five oral modern Chinese medicines for kidney disease in the PRC from 2008 to 2012:



Source: SMERI Report

According to SMERI Report, the top five oral modern Chinese medicines for kidney disease in the PRC had a total market share of 74.5% in 2012, while the top 20 medicines had a total market share of over 95% in 2012. Our uremic clearance granule ranked first in five consecutive years from 2008 to 2012, and our kidney repair and edema alleviation granule ranked 54th, 37th, 30th and 22nd in 2009, 2010, 2011 and 2012, respectively, in the market of oral modern Chinese medicines for kidney disease in terms of retail sales. The following table shows the details of the top five oral modern Chinese medicines for kidney disease in the PRC from 2008 to 2012 and details of the oral modern Chinese medicines for kidney disease that ranked 21st to 25th in the PRC in 2012:

Rank	Product name	Manufacturer	Major usage	Market share					Total size per unit	National List of Essential Medicines	National Medical Insurance Medicines Catalogue	Average retail price in 2012
				2008	2009	2010	2011	2012				*(RMB)*
1	Uremic clearance granule (尿毒清顆粒)	Our Group	Treating (i) chronic kidney failure by lowering creatinine and urea nitrogen, stabilising kidney functions and delaying dialysis; and (ii) renal anaemia by increase blood calcium level and lower blood phosphorus level	26.9%	26.3%	25.5%	24.3%	24.1%	90 grams 75 grams	Yes	Yes	69.6 58.2

Rank	Product name	Manufacturer	Major usage	Market share 2008	2009	2010	2011	2012	Total size per unit	National List of Essential Medicines	National Medical Insurance Medicines Catalogue	Average retail price in 2012
												(RMB)
2	Haikunshenxi capsule (海昆腎喜膠囊)	Jilin Province Huinan Changlong Bio-pharmacy Company Limited (吉林省輝南長龍生化藥業股份有限公司)	Treating chronic kidney failure by detoxification	11.7%	13.7%	16.1%	20.4%	21.3%	4 grams	No	No	75.9
3	Ambrette capsule (黃葵膠囊)	SZYY Group Pharmaceutical Limited (江蘇蘇中藥業集團股份有限公司)	Treating chronic nephritis by clearing the dampness and heat in the body, detoxification and reducing swelling	13.8%	15.8%	15.9%	15.7%	15.5%	15 grams	No	Yes	35.7
4	Shenyankangfu tablet (腎炎康復片)	Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	Treating chronic glomerulonephritis (慢性腎小球腎炎)	9.5%	9.0%	7.6%	7.0%	7.3%	21.6 grams	Yes	Yes	27.0
5	Yinhuamiyanling tablet (銀花泌炎靈片)	Jilin Huakang Pharmaceutical Co., Ltd. (吉林華康藥業股份有限公司)	Treating acute pyelonephritis (急性腎盂腎炎)	5.4%	6.5%	6.3%	6.2%	6.3%	12 grams 18 grams	No	Yes	30.1 43.7
⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮
21	Shenshuaining tablet (腎衰寧片)	Shenyang Dongxin Pharmaceutical Co., Ltd. (瀋陽東新藥業有限公司)	Treating chronic kidney failure	N/A	0.054%	0.19%	0.23%	0.40%	8.6 grams	No	Yes	30.8
22	**Kidney repair and edema alleviation granule (益腎化濕顆粒)**	**Our Group**	**Treating chronic glomerulonephritis (慢性腎小球腎炎)**	**N/A**	**0.004%**	**0.06%**	**0.17%**	**0.35%**	**90 grams**	**No**	**No**	**60.2**
23	Shenyanan granule (腎炎安顆粒)	Guangxi Wuzhou Pharmaceutical (Group) Co., Ltd. (廣西梧州製藥(集團)股份有限公司)	Treating acute pyelonephritis (急性腎盂腎炎), acute nephritis (急性腎炎) and chronic nephritis (慢性腎炎)	0.008%	0.02%	0.10%	0.19%	0.34%	7.2 grams	No	No	33.9
24	Shenyanshu capsule (腎炎舒膠囊)	Anhui Jingfang Medical Industry Share Co., Ltd. (安徽精方藥業股份有限公司)	Treating edema caused by nephritis (腎炎)	0.57%	0.54%	0.52%	0.39%	0.32%	12.6 grams	No	Yes	21.3
25	Shenfukang capsule (腎複康膠囊)	Tonghua Shenyuan Pharmaceutical Co., Ltd. (通化神源藥業有限公司)	Treating edema caused by acute nephritis (急性腎炎)	0.21%	0.32%	0.26%	0.34%	0.27%	18.0 grams	No	Yes	25.5

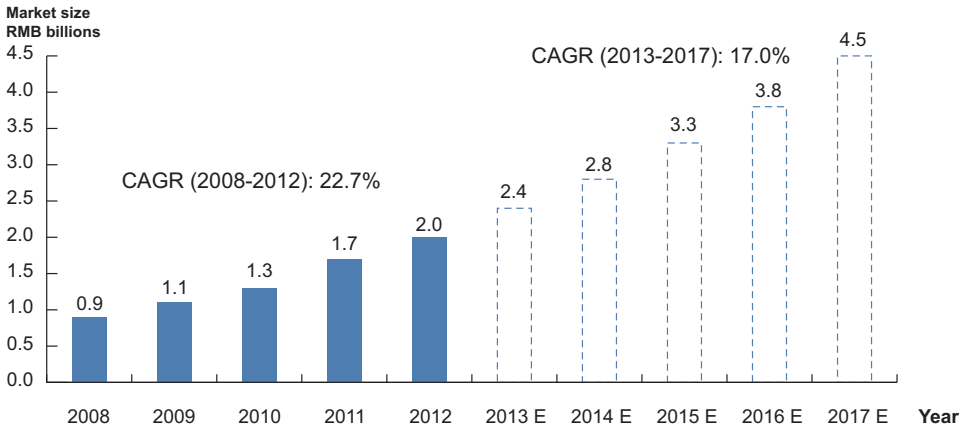
Source: SMERI Report

SMERI has advised that medicines treating same types of diseases may generally be considered as alternatives to each other. However, in practice, whether one medicine can be treated as a substitute for the other largely depends on the medical practitioners' specific knowledge of such medicines and their prescription pattern.

Future trend of oral modern Chinese medicines for kidney disease

According to SMERI Report, 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 oral modern Chinese medicines due to its mild side effect in treating kidney disease and its convenient intake method.

SMERI projects that the market size of oral modern Chinese medicines for kidney disease will grow from RMB2.4 billion in 2013 to RMB4.5 billion in 2017, with a CAGR of 17.0% from 2013 to 2017. The following chart shows the market size of oral modern Chinese medicines for kidney disease in the PRC from 2008 to 2012 and the forecast for 2013 to 2017:



Source: SMERI Report

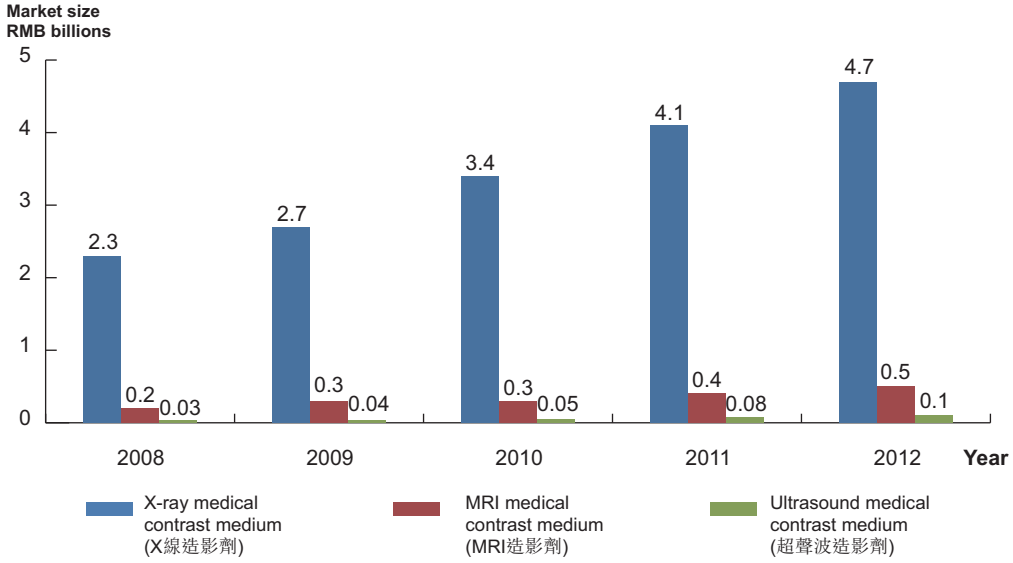
Our Directors believe that the sales of our uremic clearance granule will continue to grow due mainly to the increase in overall market demand for oral modern Chinese medicines for kidney disease in the PRC driven by the increased awareness of chronic kidney disease and the public's increasing recognition in the distinguished curative effects of modern Chinese medicine in comprehensive conditioning and its mild side effect in treating kidney disease and its convenient intake method.

MEDICAL CONTRAST MEDIUM MARKET IN THE PRC

Overview

Medical contrast medium is a substance used to enhance the contrast of structures or fluids within the body in medical imaging. In recent years, the health awareness of the PRC population has improved and people have become more aware of the importance of screening and diagnosis of internal diseases, resulting in the increased use of medical contrast medium and thus the steady growth of the medical contrast medium market. According to SMERI Report, the market size of medical contrast medium in the PRC grew from RMB2.5 billion in 2008 to RMB5.3 billion in 2012, representing a CAGR of 21.0%.

Medical contrast medium is classified into three major categories: (i) MRI medical contrast medium; (ii) x-ray medical contrast medium; and (iii) ultrasound medical contrast medium. The following table shows the market size of medical contrast medium in the PRC from 2008 to 2012 by category:



Source: SMERI Report

The following table shows the market share of the medical contrast medium in the PRC by category from 2008 to 2012:

		Market share				
Rank	**Category**	**2008**	**2009**	**2010**	**2011**	**2012**
1	X-ray medical contrast medium.....	90.7%	90.1%	89.7%	89.1%	88.7%
2	MRI medical contrast medium.....	8.3%	8.6%	9.0%	9.2%	9.4%
3	Ultrasound medical contrast medium	1.0%	1.3%	1.3%	1.7%	1.9%

Source: SMERI Report

According to SMERI Report, x-ray medical contrast medium has gained the largest market share in the medical contrast medium market in the PRC from 2008 to 2012. MRI medical contrast medium ranked second, and its market share grew from 8.3% in 2008 to 9.4% in 2012. The market size of MRI medical contrast medium in the PRC has grown at a CAGR of 20.4% from 2008 to 2012.

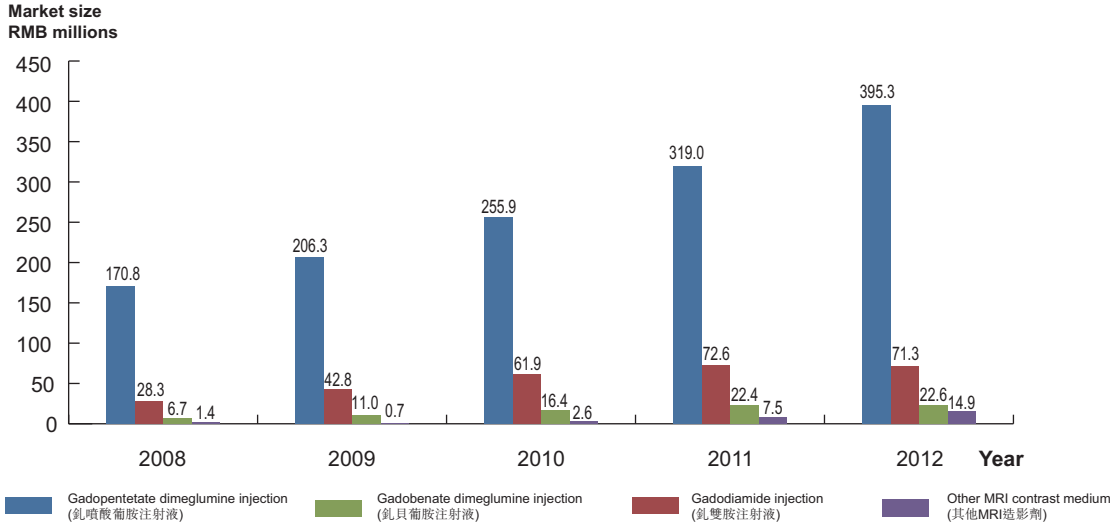
The PRC government's continuous investment in the construction of medical and healthcare system, which results in the spending on primary medical facilities including imaging equipment for diagnosis, future applications of medical contrast medium will be more extensive and in-depth, thus promoting the expansion of the medical contrast medium market. SMERI projects that the market size of medical contrast medium will grow from RMB6.3 billion in 2013 to RMB11.4 billion in 2017, with a CAGR of 15.9% from 2013 to 2017.

MRI medical contrast medium

MRI medical contrast medium is commonly used for diagnosis of diseases in enhancing the contrast of the medical resonance images of the central nervous system (including brain and spine), abdominal, chest, pelvic area, limb and other tissues. Although MRI is a relatively new technology when compared to CT imaging, over 30% of diagnosis with imaging utilises MRI with MRI medical contrast medium.

A steady growth of the MRI medical contrast medium market is observed during the period from 2008 to 2012. According to SMERI Report, the market size of the MRI medical contrast medium increased from RMB207.0 million in 2008 to RMB504.1 million in 2012, representing a CAGR of 24.9%, associated with an increasing market share in the medical contrast medium market in the PRC from 8.3% in 2008 to 9.4% in 2012.

The following chart shows the market size of the major types of MRI medical contrast medium in the PRC from 2008 to 2012:



Source: SMERI Report

According to SMERI Report, gadopentetate dimeglumine injection had a market share of 78.4% in the MRI medical contrast medium market in the PRC in 2012, with a growth rate of 3.6% when compared to 2011. There are only five manufacturers which have obtained the production approval from CFDA for the manufacture and sale of gadopentetate dimeglumine injection in the PRC and only four of them, including us, are still manufacturing and selling such pharmaceutical product. Our gadopentetate dimeglumine injection ranked third in the market of MRI medical contrast medium in the PRC in 2012 in terms of retail sales, commanding a market share of 17.1%.

The following table shows the market share of the top five MRI medical contrast medium in the PRC from 2008 to 2012:

Rank	Product Name	Manufacturer	Market share					Average retail price in 2012[1]
			2008	2009	2010	2011	2012	
1	Gadopentetate dimeglumine injection	BEILU Pharmaceutical Co., Ltd (北京北陸藥業股份有限公司)...	31.5%	27.7%	26.1%	27.4%	30.5%	RMB135.5
2	Gadopentetate dimeglumine injection	Bayer Healthcare Co., Ltd. Guangzhou Branch (拜耳醫藥保健有限公司廣州分公司).....	29.3%	28.9%	28.9%	27.7%	25.9%	RMB184.9
3	**Gadopentetate dimeglumine injection**	**Our Group**.....	**15.0%**	**17.2%**	**16.7%**	**16.1%**	**17.1%**	**RMB131.5**
4	Gododiamide injection (釓雙胺注射液)	GE Healthcare (Shanghai) Co., Ltd. (通用電氣藥業(上海)有限公司).....	13.7%	16.4%	18.4%	17.2%	13.9%	RMB216.8
5	Gadopentetate dimeglumine injection	Shanghai Xudong Haipu Pharmaceutical Co., Ltd. (上海旭東海普藥業有限公司)...	6.7%	5.5%	4.3%	4.6%	4.9%	RMB128.2

Note:

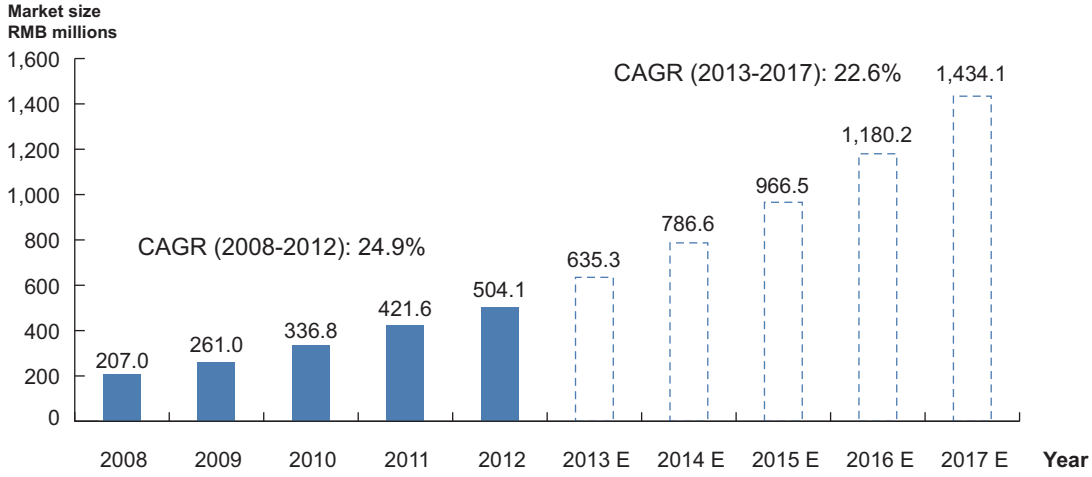
(1) Refers to the average retail price of the products with the dosage of 15ml.

Source: SMERI Report

Future trend of MRI medical contrast medium

Significant growth in the sales of MRI medical contrast medium is projected due to the lowering of price per unit of the medium as a result of the increasing competition in the industry, according to SMERI Report. The leading position of gadopentetate dimeglumine injection in the MRI medical contrast medium market is very concrete and this type of injection is not likely to be replaced in the near future.

SMERI projects that the market size of MRI medical contrast medium will grow from RMB635 million in 2013 to RMB1.4 billion in 2017, with a CAGR of 22.6% from 2013 to 2017. The following chart shows the market size of MRI medical contrast medium in the PRC from 2008 to 2012 and the forecast for 2013 to 2017:



Source: SMERI Report

According to SMERI Report, there are four new MRI medical contrast medium which are under registration process of CFDA. However, as it normally takes about three to five years for a pharmaceutical manufacturer to obtain the required approval for the production and sale of a pharmaceutical product after it has submitted the application for registration, it is unlikely that new products will be introduced to and materially change the current market of MRI medical contrast medium in the PRC in the near future.

LATEST DEVELOPMENTS

Our Directors confirm that, after taking reasonable care and to their best knowledge, there has been no material adverse change in our products' position since the date of SMERI Report which may materially qualify, contradict or have a material impact thereon as of the Latest Practicable Date.

This section sets out summaries of certain aspects of the PRC laws and regulations, which are relevant to our Group's operation and business.

PROVISIONS ON FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (中華人民共和國公司法) (the "**Company law**"), which was promulgated by the Standing Committee of the National people's Congress on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004 and 27 October 2005 respectively. The companies are classified into categories – limited liability companies and limited companies by shares. The Company Law shall also apply to foreign-invested limited liability companies. According to the Company Law, where laws on foreign investment have other stipulations, such stipulations shall apply.

The establishment procedures, verification and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are also regulated by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法), which was promulgated on 12 April 1986 and amended on 31 October 2000, and the Implementation Regulation of the Wholly Foreign-owned Enterprise Law (中華人民共和國外資企業法實施細則), which was promulgated on 12 December 1990 and amended on 12 April 2001.

Investment in the PRC conducted by foreign investors and foreign-owned enterprises is governed by the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) (the "**Catalogue**"), which was promulgated by the Ministry of Commerce and the NDRC on 24 December 2011 and became effective on 30 January 2012. The Catalogue is a long-standing tool that PRC policymakers have used to manage and direct foreign investment. The Catalogue divides industries into three basic categories: encouraged industries, restricted industries and prohibited industries. Foreign investors and foreign-owned enterprises are not allowed to make investments which fall under the "prohibited" industry under the Catalogue. Industries not listed in the Catalogue are generally open to foreign investment unless specifically barred in other PRC regulations.

The "manufacturing of modern Chinese medicines with confidential proprietary formula" (中成藥保密處方產品的生產) is classified as "prohibited" under the Catalogue, but as advised by our PRC Legal Advisers and Jia Yuan Law Offices, the PRC legal advisers to the Underwriters, there is no clear definition of confidential proprietary formula under the Catalogue, and there is no provision under the Catalogue stating that foreign investors and foreign-owned enterprises are prohibited from manufacturing and sale of medicines with State Secret status. To clarify whether our uremic clearance granule's past State Secret status falls into the "prohibited" category, in November 2013, our PRC Legal Advisors and Jia Yuan Law Offices consulted the Bureau of Commerce of Inner Mongolia autonomous region (內蒙古自治區商務廳) (the "**Inner Mongolia DOC**"), which is a provincial branch of the Ministry of Commerce. Our PRC Legal Advisers and Jia Yuan Law Offices advised that the Ministry of Commerce, which promulgated the Catalogue jointly with the NDRC, is the major administrative body of the foreign investment matters in the PRC and it has the ultimate right to interpret the provisions under the Catalogue. Our PRC Legal Advisers and Jia Yuan Law Offices were directed by the Inner Mongolia DOC to consult the Department of Food and Drug Administration of Inner Mongolia autonomous region (內蒙古自治區食品藥品監督管理局) (the "**Inner Mongolia FDA**"). Accordingly, they consulted the Inner Mongolia FDA, a provincial branch of the CFDA which regulates medicines with confidential proprietary formula. The Inner Mongolia FDA verbally confirmed that only medicines which are recognised as class one (and not other classes) national Chinese medicine protection type by the CFDA qualify as having the confidential proprietary formula.

In addition, in November 2013, our PRC Legal Advisers and Jia Yuan Law Offices also consulted the Department of Science and Technology of Inner Mongolia autonomous region (內蒙古自治區科技廳) (the "**Inner Mongolia S&T**"), the provincial branch of Ministry of Science and Technology which granted the State Secret status to our uremic clearance granule jointly with the State Secrecy Bureau (國家保密局). The Inner Mongolia S&T verbally confirmed that medicines with State Secret status are regulated by the Ministry of Science and Technology while medicines with confidential proprietary formula are regulated by the CFDA and accordingly the two are different. Our PRC Legal Advisers and Jia Yuan Law Offices confirmed that the Ministry of Science and Technology or its branches has the right to interpret the Regulations on Protection of Scientific Technologies (科學技術保密規定) as it is the administrative authority of the application and renewal of the State Secret status, and that the State Secrecy Bureau should not override its interpretation.

Based on the confirmations from the Inner Mongolia S&T and the Inner Mongolia FDA:

(a) in view of the recognition of our uremic clearance granule as class two (but not class one) national Chinese medicine protection type by the CFDA, our PRC Legal Advisers and Jia Yuan Law Offices advised that our uremic clearance granule is not regarded as medicines with confidential proprietary formula (中成藥保密處方產品); and

(b) the commissioner of the foreign investments management (外商投資管理處處長) of the Inner Mongolia DOC agreed with the interpretation of the Inner Mongolia FDA. After consultation with the Ministry of Commerce of the PRC, he verbally confirmed that (i) our Group's manufacture and sale of uremic clearance granule since its production and sale do not fall under the prohibited category of the Catalogue, and have complied with the relevant PRC rules and regulations relating to foreign investments; (ii) our Group has not and will not be subject to any penalty under the relevant foreign investments rules and regulations due to our manufacture and sale of uremic clearance granule; and (iii) our Group is permitted to continue to manufacture and sell uremic clearance granule in the future.

The Development and Reform Commission of the Inner Mongolia autonomous region (內蒙古自治區發展和改革委員會), a provincial branch of the NDRC, also verbally confirmed that they agreed with the above confirmations from the Inner Mongolia DOC.

As confirmed by our PRC Legal Advisers and Jia Yuan Law Offices, we are in full compliance with the Catalogue and comply with all relevant PRC rules and regulations.

MEDICINE ADMINISTRATIVE REGULATORY FRAMEWORK

As a manufacturer and distributor of pharmaceutical products, we are subject to regulation and oversight by different levels of the food and medicine administration in the PRC, in particular, CFDA. Our products are subject to regulatory controls governing pharmaceutical products. The Law of the PRC on the Administration of Pharmaceuticals (中華人民共和國藥品管理法), which was promulgated by the Standing Committee of the National People's Congress on 20 September 1984 and came into effect on 1 July 1985, as amended on 28 February 2001 and came into effect on 1 December 2001, together with its implementation regulations, provides the legal framework for the administration of the production and sale of pharmaceutical products in the PRC which covers the manufacturing, distributing, registration, packaging, pricing and advertising of pharmaceutical products in the PRC.

We are also subject to other PRC laws and regulations that regulate the manufacturing and distribution of pharmaceutical products.

Principal administrative authorities

As the competent authority of the industry, the CFDA is responsible for administrative supervision and technical supervision over the research, production, circulation and usage of medicines, including Chinese medicines. The local medicine administrative authorities at the level of provinces, autonomous regions and municipalities directly under the PRC central government are responsible for supervision and administration of medicines within their respective administrative regions.

In accordance with the state laws, rules, regulations and policies relating to health and medicines and in light of the characteristics of the traditional Chinese medicine industry, the State Administration of Traditional Chinese Medicine (國家中醫藥管理局) is responsible for the guidance and implementation of fundamental works such as guidelines, policies, development strategies, qualification management and techniques of the Chinese medicine industry.

The Ministry of Health is responsible for multiple supervisions over medicines regulation, including, but not limited to, enforcing the medical and health system reform, formulating and implementing the national essential medicines system (國家基本藥物制度), formulating the national medicines codes (國家藥品法典) and the National List of Essential Medicines, proposing the pricing policy of medicines within the National List of Essential Medicines and supervising medical institutions.

NDRC is responsible for the macro-guidance and management of the healthcare industry's development planning, and the supervision and management over the price of medicines.

MANUFACTURE

Research and development

Institutions engaging in research for applications for clinical trials and production of medicines are required to register in accordance with Pharmaceutical Product Research Institution Filing Procedures (Trial) (藥品研究機構登記備案管理辦法(試行)), which was promulgated on and effective from 15 October 1999 by the State Drug Supervision and Administration Bureau, the predecessor of the CFDA. Research institutions engaged in conducting clinical trials of medicines are required to carry out their clinical trials in accordance with the Administrative Standards of Pharmaceuticals Clinical Trials (藥物臨床試驗質量管理規範) promulgated by the CFDA on 6 August 2003 and effective from 1 September 2003, which apply to the design, organisation, implementation, supervision, recording, analysis and reporting of clinical trials conducted following approval from the CFDA. Research institutions engaged in conducting pre-clinical research are required to carry out their research activities in accordance with Administrative Standards of the Pharmaceuticals Non-Clinical Research (藥物非臨床研究質量管理規範) promulgated by the CFDA on 6 August 2003 and effective from 1 September 2003, which apply to research on, among others, synthetic techniques, extraction method, chemical nature and purity, forms of intake, production methods, examination methods, quality standards, stability, and toxicity studies of a medicine conducted prior to the submission of the application for clinical trials to the CFDA. If certain actions in the pre-clinical trial research and clinical research conducted for a clinical application trial, and/or in the application procedures for registration of medicines, are in violation of the relevant rules and regulations, the CFDA is authorised to handle such cases pursuant to the Measures regarding Noncompliance with Relevant Rules of Research and Application for Registration of Medicines (藥品研究和申報註冊違規處理辦法(試行)) promulgated on and effective from 1 September 1999.

Pharmaceutical products' manufacturing

Manufacturing licenses and approvals

Each pharmaceutical manufacturing enterprise is required to obtain a Medicine Manufacturing Permit and a business license. Pursuant to the Law of the PRC on the Administration of Pharmaceuticals, its implementation regulations (中華人民共和國藥品管理法實施條例), which was promulgated on 4 August 2002 by the State Council and effective from 15 September 2002, and the Measures on the Supervision and Administration of the Manufacture of Pharmaceuticals (藥品生產監督管理辦法) promulgated by the CFDA on 5 August 2004 and effective from 5 August 2004, the Medicine Manufacturing Permit is issued by local medicine administrative authorities at the provincial level. The grant of such permit is subject to an inspection of the manufacturing facilities, and a finding that their staff qualification, the surroundings, sanitary conditions, quality assurance systems, management structure and equipment meet the required standards. Each Medicine Manufacturing Permit is valid for five years and may be renewed at least six months prior to its expiration date upon re-examination by the relevant authority.

Good Manufacturing Practices (藥品生產質量管理規範) ("GMP")

A GMP certificate is required for the production of each dosage form of pharmaceutical products. And GMP, which was promulgated by the Ministry of Health on 17 January 2011 and became effective on 1 March 2011, is a set of detailed basic guidelines on manufacture and quality control of pharmaceutical products, with the propose of ensuring that products are consistently manufactured appropriate to their intended use and statutory registration requirements for the pharmaceutical products, by minimising the risks of contamination, cross contamination, mix-ups and/or errors during the manufacture processing.

GMP certification criteria include sections regarding quality control, institution and staff qualifications, hygiene requirements for the staff, production premises and facilities, equipment, material and products, recognition and inspection, documentation maintenance, manufacture management, quality control and quality assurance, contractual manufacture and contractual inspection for the products, product distribution and recalls and self-inspection.

Under the Administrative Measures for Certification of the Good Manufacturing Practices (藥品生產質量管理規範認證管理辦法) promulgated on and effective from 2 August 2011 by the CFDA, a new pharmaceutical manufacturer, or a pharmaceutical manufacturer that extends its manufacturing scope or establishes a new workshop shall apply for GMP certification, and where a pharmaceutical manufacturer rebuilds or extends its existing plants or production lines, it shall reapply for GMP certification. GMP certificates shall be renewed no later than six months before the expiry of its valid term. Such renewal shall be granted upon re-examination by the relevant authority.

Approval and registration

Registration of New Medicine Certificate

According to the Registration Measures, promulgated by the CFDA on 10 July 2007 and effective from 1 October 2007, New Medicines refer to those products which have never been launched in the PRC market previously. Pharmaceutical products taking different dosage forms or route of administration or having curative effects for additional diseases are treated as New Medicines.

New Medicines are registered under three different types: Chinese medicines and natural medicine, chemical pharmaceutical products and biochemical products, each of which are divided into different categories. Different requirements are applicable to the registration under different types.

All New Medicines must undergo four phases before the launching: pre-clinical research, application for clinical trials, clinical trials and approval of production.

Upon the completion of pre-clinical research, pharmaceutical product manufacturers are required to obtain approval from the CFDA prior to commencement of clinical trials of any New Medicine.

Clinical trials comprise four phases: phase I (preliminary pharmacology and human safety trials), phase II (preliminary assessment on therapeutic efficacy), phase III (confirmation of therapeutic efficacy) and phase IV (research on applications after launching of New Medicines). The number of tested cases of clinical trials shall accord with the aim of each phase of clinical trials and relevant statistical requirements, and shall not be less than the statuary minimum number of clinical trial cases, save for otherwise approved by CFDA in the case of rare diseases, special diseases and other exceptional circumstances.

Upon the completion of clinical trials, the applicant shall also apply for an approval to manufacture the New Medicines. If approved, the applicant will be granted a New Medicine Certificate and an approved pharmaceutical number. The manufacturer may then commence mass production of the New Medicine.

The CFDA may stipulate a monitoring period of up to five years in respect of any New Medicine approved for production to monitor the safety of such New Medicine on an ongoing basis. The CFDA will not approve the production, change and import of such New Medicine by other enterprises during the monitoring period. No applications for the registration of similar pharmaceutical products by other applicants shall be accepted after the commencement of the monitoring period for such New Medicine. Applications for the registration of pharmaceutical products of similar products by other applicants that have been accepted but have not been approved to begin clinical trials shall be returned. However, after a New Medicine enters the monitoring period, for other applications whose clinical trial have already been approved by CFDA, the on-going application shall continue in the regular review process, and CFDA may approve the production or import of that application in compliance with the requirements, as well as monitor the New Medicine produced by the pharmaceutical manufacturer within PRC. Upon the expiration of the monitoring period of New Medicine, applicants may file an application in respect of their Generic Medicines or for the import of similar pharmaceutical products.

Under the Administrative Measures on the Special Examination and Approval of New Medicine Registration (新藥註冊特殊審批管理規定), which was promulgated and implemented since 7 January 2009 by the CFDA, certain types of New Medicines may apply to go through the special examination and approval process when submitting the application for clinical trials or the application of production.

Registration of Generic Medicines

Generic Medicines are those that have already been launched in the PRC market and are in compliance with applicable national standards set by the PRC government.

For Generic Medicines, the applicants need to go through at least two processes, which are pre-clinical research and the application of production; and clinical trials could be required where the CFDA deem necessary. All the applicants shall begin the manufacture after obtaining the production approval by the CFDA.

Immediate packaging materials and containers of medicines

According to the Law of the PRC on the Administration of Pharmaceuticals (中華人民共和國藥品管理法), together with its implementation regulations, and Administrative Provisions on Immediate Packaging Materials and Containers (直接接觸藥品的包裝材料和容器管理辦法), which was promulgated by CFDA on 20 July 2004, immediate packaging materials and containers shall meet the requirements for medicinal use and the standards for ensuring human health and safety. CFDA shall promulgate the registered immediate packaging materials and containers catalog and implement registration management to the products of the catalog.

Pharmaceutical gelatin capsules and capsule medicines

According to Circular on Strict Implementation of Batch Testing regarding the Pharmaceutical Gelatin Capsules and Capsule Medicines (關於嚴格實施藥用明膠膠囊和膠囊劑藥品批批檢的公告), which was promulgated by CFDA on 27 April 2012, and Notice on Strengthening the Quality Administration of the Capsule Medicines and Relevant Products (關於加強膠囊劑藥品及相關產品品質管理工作的通知), which was promulgated by CFDA on 28 April 2012 and came into effect on 1 May 2012, together with a series of following notices promulgated by CFDA, the manufacturers of capsule medicine shall purchase pharmaceutical capsules from the enterprise with a production qualification approval number for such pharmaceutical capsules, and the pharmaceutical capsules, as well as the capsule medicines, shall be tested by batch by the pharmaceutical manufacturing enterprise.

Pharmaceutical directions and labels

According to the Law of the PRC on the Administration of Pharmaceuticals (中華人民共和國藥品管理法), together with its implementation regulations, and Administrative Provisions on Pharmaceutical Directions and Labels (藥品說明書和標籤管理規定), which was promulgated by CFDA on 15 March 2006 and came into effect on 1 June 2006, a label shall be printed or stuck on the drug package, which shall indicate the adopted name of the drug used in PRC, its ingredients specification, manufacturer, approval number, product batch number, production date, date of expiry, indications or functions, usage, dosage, contraindications, adverse drug reactions, and precautions. The smallest packages produced by a pharmaceutical manufacturing enterprise for sale on the market must be attached with directions. The pharmaceutical directions shall include important scientific data, conclusion and information on its safety and effectiveness, so as to guide the safe and reasonable usage of the medicine.

DISTRIBUTION

Medicine Operation Certificate

The establishment of a wholesale pharmaceutical distribution company requires the approval of the provincial medicine administrative authorities. Upon approval, the authority will grant a Medicine Operation Certificate in respect of the wholesale pharmaceutical product distribution company. The establishment of a retail pharmacy store requires the approval of the local medicine administrative authorities at or above the county level. Upon approval, the authority will grant a Medicine Operation Certificate in respect of the retail pharmacy store. Once these permits are received, the wholesale or retail pharmaceutical company (as the case may be) shall be registered with the relevant local branch of SAIC.

Under the Measures for the Administration of Pharmaceutical Operation Permit (藥品經營許可證管理辦法) promulgated by the CFDA on 4 February 2004 and effective from 1 April 2004, a Medicine Operation Certificate is valid for five years. Each holder of the Medicine Operation Certificate must apply for an extension of its permit six months prior to expiration.

Good Supply Practices (藥品經營質量管理規範) ("GSP")

Each retail or wholesale operator of pharmaceutical products is required to obtain a GSP certificate from the relevant medicine administrative authorities prior to commencing its business. GSP constitutes the basic standards in management of operation quality of medicines and shall apply to enterprises exclusively or concurrently engaged in medicine operation within the PRC. The current applicable GSP standards require pharmaceutical operators to implement strict controls on its operation of pharmaceutical products, including standards regarding staff qualifications, premises, warehouses, inspection equipment and facilities, management and quality control. Under the Administrative Measures for Certification of Good Supply Practices (藥品經營質量管理規範認證管理辦法) promulgated on and effective from 24 April 2003 by the CFDA, the GSP certificate is generally valid for five years and may be extended three months prior to its expiry of its valid term.

Supervision and management of medicine distribution

Under Method of Supervision and Management of Drug Distribution (藥品流通監督管理辦法), which was issued by the CFDA on 31 January 2007 and came into effect on 1 May 2007, detailed provisions are imposed on aspects such as the purchase, sale, transportation and storage of medicines by pharmaceutical production and operation enterprises as well as the purchase and storage of medicines by pharmaceutical institutions.

Online pharmaceutical information service permit

The Measures regarding the Administration of Drug Information Service Over the Internet (互聯網藥品信息服務管理辦法), promulgated and implemented since 8 July 2004 by the CFDA, define the delivery of free publicly available medicine information services over the Internet as a non-profit online medicine information service. This service requires a qualification certificate from the relevant provincial medicine administrative authorities. The qualification certificate is valid for five years and may be renewed by filing for a renewal at least six months prior to its expiration date and undergoing re-examination by the relevant authority.

Statutory tender process requirements for hospital procurement of medicines

Pursuant to The Guiding Opinions concerning the Urban Medical and Health System Reform (關於城鎮醫藥衛生體制改革的指導意見) promulgated on 16 January 2000 by the State Commission for Restructuring Economic Systems and seven other ministries and commissions in the PRC, medical institutions shall be divided into two catalogues, i.e. non- profit medical institutions and profitable medical institutions. The Opinions also state that the Ministry of Health and other relevant authorities shall implement the pilot program of the centralised tender system for the procurement of pharmaceutical products in accordance with the Tendering and Bidding Law of the PRC.

According to Implementing Rules of the Urban Medical Institution Classified Administration (關於城鎮醫療機構分類管理的實施意見), which was jointly promulgated by the Ministry of Health and the other three governmental departments on 18 July 2000 and came into effect on 1 September 2000, medical institutions shall be divided into two catalogues, i.e. non-profit medical institutions and profitable medical institutions. Non-profit medical institutions are established for the public service purpose,and the earnings shall be used for the maintenance and development of such

institutions; while profitable medical institutions are established for investment returns by their investors, and the PRC government will not establish profitable medical institutions. A medical institutional shall be classified as non-profit or profitable when it is established.

According to the Notice on Issuing Certain Regulations on the Trial Implementation of Centralised Procurement of Pharmaceutical Products by Medical Organisations (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) promulgated on 7 July 2000 by the Ministry of Health and four other ministries and commissions 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) promulgated on 23 July 2001 by the Ministry of Health and five other ministries and commissions, non-profit medical institutions established by the PRC government at the county level or higher are required to implement a centralised tender system for the procurement of pharmaceutical products. And the non-profit medical institutions belonging to the PRC government at the county level or above shall comply with the centralised tender process requirements when purchasing medicines in the National Medical Insurance Medicines Catalogue and medicines that are consumed in large volumes and commonly prescribed for clinical uses. In principal, the tender process shall be operated and organised by the public offer purchasing agencies.

On 12 November 2001, the Ministry of Health and five other ministries and commissions jointly promulgated the Working Regulations of Medical Institutions for Procurement of Medicines by Centralised and Price Negotiations (Trial) (醫療機構藥品集中招標採購工作規範(試行)) (the "**Working Regulations (Trial)**"), which was repealed on 7 July 2010, to implement the tender process requirements and ensure the requirements are followed uniformly throughout the country.

In November 2001, the Ministry of Health also promulgated the Sample Document for Medical Institutions for Procurement of Medicines by Centralised and Price Negotiations (Trial) (醫療機構藥品集中招標採購和集中議價採購文件範本(試行)) (the "**Sample Document**") as the operational document of the Working Regulations (Trial). The Working Regulations (Trial) and the Sample Document provide rules for the tender process and negotiations of the prices of pharmaceutical products, operational procedures, a code of conduct, and standards or measures for evaluating bids and negotiating prices.

According to the Working Regulations (Trial), the centralised tender system for the procurement of pharmaceutical products shall be participated by both the pharmaceutical manufacturers and the wholesale pharmaceutical distribution companies.

On 23 September 2004, the Ministry of Health and the other relevant PRC government authorities promulgated the Provisions on Further Regulating Procurement of Medicines by Medical Institutions through Centralised Tendering (關於進一步規範醫療機構藥品集中招標採購的若干規定) to modify and perfect the tender process system.

On 17 January 2009 and 7 July 2010, the Ministry of Health and other relevant PRC government authorities promulgated the Opinions concerning Further Regulating Centralised Procurement of Medicines by Medical Institutions (關於進一步規範醫療機構藥品集中採購工作的意見) and the Working Regulations of Medical Institutions for Centralised Procurement of Medicines (醫療機構藥品集中採購工作規範) (the "**Working Regulations**"), and replaced the Working Regulations (Trial) at the same time. Under the Working Regulations, save for otherwise described in the working Regulations, all the non-profit medical institutions at the county level or higher established and/or controlled by the PRC government shall implement a centralised procurement of pharmaceutical products, the methods of which include open tender, invited tender and direct procurement. And the provincial governmental authorities shall determine the method of

centralised procurement of pharmaceutical products based on the actual situation. In addition, profitable medical institutions are not required to implement a centralised procurement of pharmaceutical products under PRC laws.

According to the Working Regulations, the centralised procurement of pharmaceutical products shall be solely participated by pharmaceutical manufacturers as well as the companies that could be deemed as pharmaceutical manufacturers. And either the bidders themselves, or wholesale pharmaceutical distribution companies as engaged by such bidders, could distribute the medicines to the medical institutions.

OTHER RELATED REGULATIONS IN THE PRC PHARMACEUTICAL INDUSTRY

National medicine standard

National medicine standard refers to the quality standards, inspection methods and manufacturing techniques established to ensure the quality of medicines, which include such standards as these included in the Medicine Standards of the Ministry of Health of the PRC (中華人民共和國衛生部藥品標準), Pharmacopoeia of the PRC (中華人民共和國藥典) and National Medicine Standard of CFDA (國家食品藥品監督管理局國家藥品標準). Prepared slices of Chinese crude medicines shall generally be processed in conformity with the national medicine standards,save for the ones which are not covered by the national medicine standards and shall be produced according to the processing procedures formulated by the medicine regulatory department of the provincial governments.

Chinese medicine protection

According to the Regulations on the Protection of Chinese Medicines (中藥品種保護條例) promulgated by the State Council on 14 October 1992 and effective from 1 January 1993, for the purposes of improving the quality and promoting the development of traditional Chinese medicines, protections are granted to a variety of domestically manufactured traditional Chinese medicines, which shall be within the list of national medicine standards ingredients and meet certain statuary requirements. Different provisions have been stipulated for the prescription composition, production techniques and their overseas transfers.

Prescription medicines and over-the-counter medicines

In order to promote safety, efficacy and convenience in the use of pharmaceutical products, the SFDA, the predecessor of the CFDA, published the Trial Administrative Measures regarding the Classification of Prescription Medicines and Over-the-Counter Medicines (處方藥與非處方藥分類管理辦法(試行)) on 18 June 1999 with effect from 1 January 2000. These administrative measures divide medicines according to their type, specification, the relevant disease or ailment which they are designed to treat, dosage and method of administration. Prescription medicines are those whose prescription, purchase and intake require prescription by practicing doctors or assistant doctors. Over-the-counter medicines are those whose prescription, purchase and intake do not require prescription by practicing doctors or assistant doctors.

The CFDA is responsible for the selection, approval, publication, and revision of the State Non-Prescription Medicine Catalogue (國家非處方藥目錄) depending on the safety of the relevant medicine, over-the-counter medicines are further subdivided into type A and type B and administered separately. Manufacturers of both prescription and over-the-counter medicines are required to obtain a pharmaceutical manufacturing permit and to obtain production approvals for the relevant medicines: (i) wholesalers of prescription medicines and over-the-counter medicines

and (ii) retailers of prescription medicines and type A over-the-counter medicines are required to obtain a pharmaceutical operation permit. Retail outlets selling type B over-the-counter medicines require approval from the provincial bureau of the CFDA or the authorised bureau. In addition, retail outlets selling type B over-the-counter medicines are required to have professionally trained and suitably qualified staff before engaging in the sale of type B over-the-counter medicines.

National List of Essential Medicines

On 18 August 2009, the Ministry of Health and eight other ministries and commissions in the PRC issued the Provisional Measures on the Administration of the National List of Essential Medicines (國家基本藥物目錄管理辦法(暫行)), and the Guidelines on the Implementation of the National List of Essential Medicines System (關於建立國家基本藥物制度的實施意見), which aim to promote essential medicines sold to consumers at fair prices in the PRC and ensure that the general public in the PRC has equal access to the medicines contained in the National List of Essential Medicines.

National Medical Insurance Medicines Catalogue and basic medical insurance system for urban worker

Pursuant to the Decision of the State Council on the Establishment of the Urban Worker Basic Medical Insurance Program (國務院關於建立城鎮職工基本醫療保險制度的決定) issued by the State Council on 14 December 1998, all employers in urban cities are required to enroll their employees in a basic medical insurance program with the payable insurance premium jointly contributed by the employers and employees. Participants in the national medical insurance program and their employees are required to contribute to the payment of insurance premiums on a monthly basis. The Notice Regarding the Provisional Measures for the Administration of the Scope of Basic Medical Insurance Coverage for Pharmaceutical Products for Urban Worker (關於印發城鎮職工基本醫療保險用藥範圍管理暫行辦法的通知), jointly issued by several authorities including the Ministry of Labor and Social Security and the Ministry of Finance, among others, on 12 May 1999, further requires that a pharmaceutical product included in the National Medical Insurance Medicines Catalogue must be clinically needed, safe, effective, reasonably priced, user-friendly, available in the market and must meet at least one of the following requirements:

- it is set forth in the Pharmacopoeia of the PRC;
- it meets standards promulgated by the CFDA; and
- it is approved by the CFDA for import.

The National Medical Insurance Medicines Catalogue is divided into two parts, Part A and Part B. The medicines included in Part A are determined by the PRC government for general application and local authorities may not alter the list of medicines in Part A. The medicines in Part B are determined by the PRC government, and local authorities at the provincial level may, based on local economic development, medical demand and medical treatment habit, alter up to 15% of the total number of Part B medicines.

As a result, the contents of Part B in the National Medical Insurance Medicines Catalogue may differ from region to region in the PRC. Patients purchasing medicines included in Part A of the National Medical Insurance Medicines Catalogue are entitled to reimbursement of the entire amount of the purchase price while patients purchasing medicines included in Part B of the National Medical Insurance Medicines Catalogue are required to pay a deductible and obtain reimbursement for the remainder of the purchase price. The amount of the deductible differs from region to region in the PRC.

Advertising restriction

Pursuant to the Law on the Administration of Pharmaceuticals Products of the PRC (中華人民共和國藥品管理法) promulgated on 28 February 2001 and effective from 1 December 2001 and the Measures on the Examination of Pharmaceuticals Products Advertisement (藥品廣告審查辦法) promulgated on 13 March 2007 and effective from 1 May 2007, an enterprise seeking to advertise its pharmaceutical products must apply for an advertising approval code number. The code number is issued by the relevant local administrative authority.

Healthcare fraud and abuse

According to Anti Unfair Competition Law of the PRC (中華人民共和國反不正當競爭法) (effective on 1 December 1993), business operator bribery by giving properties or using any other method in order to sell or purchase the commodities and violate the Criminal Law, shall be investigated in accordance with the Criminal Law; if the acts as first mentioned do not violate the Criminal Law, the supervisor may fine an amount from more than RMB10,000 to less than RMB200,000 in accordance with the facts and confiscate the illegal income.

The Interim Provisions on Banning Commercial Bribery (the "**Interim Provisions**") (關於禁止商業賄賂行為的暫行規定) (effective on 15 November 1996) provides a detailed scope of "properties or using any other method," the term "property" refers to cash and material objects, including property given by a business operator to another entity or individual in the name of promotion fee, publicity fee, sponsorship fee, scientific research fee, service charge, consulting fee, commissions, reimbursed expenses, etc., in order to sell or purchase commodities, and the term "other means" refers to any means other than giving property, such as offering domestic or international tours or surveys in various names. In addition, the Interim Provisions also made it clear that commercial bribery committed by any employee of a business operator for selling or purchasing commodities for the operator shall be regarded as the operator's act.

According to Criminal Law of the PRC (中華人民共和國刑法) (effective on 1 October 1997), as amended on 25 December 1999, 31 August 2001, 29 December 2001, 28 December 2002, 28 February 2005, 29 June 2006, 28 February 2009 and 25 February 2011, and the Opinions of the Supreme People's Court and the Supreme People's Procuratorate on Issues Concerning the Application of Law in the Handling of Criminal Cases of Commercial Briberies (最高人民法院、最高人民檢察院關於辦理商業賄賂刑事案件適用法律若干問題的意見) (effective on 20 November 2008), business operators in the healthcare industry may be prosecuted with several charges due to commercial briberies, and these charges include: crime of acceptance of bribes by a non-state functionary, crime of offering bribes to a non-state functionary, crime of acceptance of bribes, crime of acceptance of bribes by an entity, crime of offering bribes, crime of offering bribes to an entity, crime of bribing as an intermediary and crime of offering bribes by an entity. If found guilty, such operator may be punished by term sentence, life sentence or even death sentence.

PRICE CONTROLS

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, on 20 July 2000 and the Price-controlled Pharmaceutical Products Catalogue of the NDRC (國家發展改革委定價藥品目錄) which was promulgated on 27 June 2005, amended on 5 March 2010 and effective from 1 April 2010, 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 prices. Manufacturers and operators are not allowed to set the actual retail price for any price-controlled product above the maximum retail prices or deviate from the fixed retail price imposed by the government. The retail prices of medicines that are not subject to price controls are determined freely at the discretion of the respective pharmaceutical product companies.

Sales of pharmaceutical products by pharmaceutical product manufacturers in the PRC to overseas markets are not subject to any price control by the PRC government.

The retail prices of medicines that are subject to price controls are administered by the NDRC and provincial and regional price control authorities. From time to time, the NDRC publishes and updates a list of medicines that are subject to price controls.

Pursuant to the Circular of the National Development Planning Commission on Printing and Distributing the Measures for Pricing of Medicines by Government (國家計委關於印發藥品政府定價辦法的通知) promulgated on 21 November 2000 and effective from 25 December 2000, fixed prices and maximum retail prices on medicines are determined based on profit margins that the relevant government authorities deem reasonable, the type and quality of the medicine, its average production costs, and the prices of substitute medicines. The NDRC directly regulates the price of a portion of the medicines on the list, and delegates to provincial and regional price control authorities the authority to regulate the pricing of the rest of the medicines on the list.

On 9 November 2009, the NDRC, the Ministry of Health and the Ministry of Labor and Social Security jointly promulgated the Notice on Issuing Opinions on Reforming the Price Formation System of Medicine and Medical Services (關於印發改革藥品和醫療服務價格形成機制的意見的通知). According to this Notice, in addition to medicines included in the National Medical Insurance Medicines Catalogue, Provincial Medical Insurance Medicines Catalogue and certain medicines whose production or trading tend to create monopolies, medicines listed in the National List of Essential Medicines are subject to PRC government price control. The prices of other medicines are determined by the market conditions and are not subject to PRC government price control.

Pursuant to the Notice on Adjusting the Catalogue of Medicines Priced by the National Development and Reform Commission and Relevant Questions (Fa Gai Jia Ge [2010] No. 429) (國家發展改革委關於調整《國家發展改革委定價藥品目錄》等有關問題的通知(發改價格[2010]429號)) promulgated by the NDRC on 5 March 2010, if the maximum retail price or fixed price of a medicine being sold in the market which price should be set by the NDRC has not yet been determined by the NDRC, the manufacturer of such medicine is entitled to set the manufacturer suggested retail price of such medicine. This notice took effect on 1 April 2010 and prevails over the prior relevant provisions.

The manufacturer of a medicine may make suggestions to the relevant authorities for the increase in the price of the medicines. In addition, pursuant to the Announcement of the Opinion of the Bureau of State Planning Commission regarding Reforms on Price Administration of Pharmaceutical Products, if a particular pharmaceutical product is significantly superior to comparable products in terms of effectiveness, safety, treatment cycle and costs of treatment, its manufacturer or operator may apply to the NDRC for approval for separate pricing.

The Guangdong Pricing Bureau promulgated the Measures on Management of Differentiated Pricing of Medicine (廣東省物價局關於關於藥品差別定價的管理辦法) on 11 September 2012. The measures were made after Guangdong province has been approved by the State Development and Reform Commission as the trial area for reform of pricing management of medical services and medicine. The measures stipulate that higher period expense rates and profit rates shall apply to

patented or innovatory medicines, and a relatively loose control over period expense rates and profit rates shall apply to protect Chinese medicine, state secret technologies, confidential prescriptions or medicines encouraged by the State.

The differentiated pricing treatment policy is approved by the NDRC in compliance with the national rules and regulations relating to price controls and it normally will not be revoked once such differentiated pricing treatment is granted unless any of the following circumstances occurs: (i) the production approval, GMP certificate or other approval documents obtained by the relevant manufacturer is revoked or suspended; (ii) the relevant pharmaceutical product is subject to investigation or warning due to quality or pricing issues; (iii) the patent or protection of the relevant pharmaceutical product has expired; (iv) any pharmaceutical product manufactured by the relevant manufacturer causes serious accidents; (v) the relevant pharmaceutical manufacturer submits false materials or bribes when applying for such differentiated pricing treatment; or (vi) other misconducts of the relevant pharmaceutical manufacturer that cause severe adverse effects.

TAXATION

Income tax

According to PRC EIT Law which was promulgated by the National People's Congress on 16 March 2007 and became effective on 1 January 2008, the income tax rate for both domestic and foreign-invested enterprises is 25% commencing 1 January 2008.

Under the PRC EIT Law, high and new technology Enterprises that require key state support are subject to the applicable enterprise income tax rate with a reduction of 15%.

Value-added tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值税暫行條例), which was promulgated by the State Council on 13 December 1993 and amended on 10 November 2008 and which became effective on 1 January 2009, all entities or individuals in the PRC engaged in the sale of goods, processing services, repair and replacement services, and the importation of goods are required to pay value-added tax ("**VAT**"). VAT payable is calculated as "output VAT" minus "input VAT", and the rate of VAT is 17% or in certain limited circumstances, 13%, depending on the products.

Value-added tax in lieu of business tax

Pursuant to the Circular on Printing and Distributing the Pilot Proposals for the Collection of Value-Added Tax in Lieu of Business Tax (《關於印發 <營業税改徵增值税試點方案 >的通知》)(Cai Shui [2011] No.110) ("the Cai Shui Notice No. 110") promulgated on 16 November 2011 jointly by State Administration of Taxation and Ministry of Finance, the pilot program of the collection of VAT in lieu of Business Tax (the "BT") has been carried out since 1 January 2012 in the pilot industries within the pilot regions. According to the Cai Shui Notice No. 110, the tax rate of 6% shall be applicable to other modern service industries.

Pursuant to Circular of the Ministry of Finance and the State Administration of Taxation on Launching the Pilot Collection of Value Added Tax in lieu of Business Tax in Transportation and Certain Areas of Modern Services Industries in 8 Provinces and Municipalities Including Beijing (《財政部 國家税務總局關於在北京等 8省市開展交通運輸業和部分現代服務業營業税改徵增值税試點的通知》) (Cai Shui [2012] No. 71)) (the "Cai Shui Notice No 71") promulgated on 31 July 2012 jointly by State Administration of Taxation and Ministry of Finance, Guangdong province and the other seven provinces shall be included into the pilot regions.

Pursuant to Circular of the Ministry of Finance and the State Administration of Taxation on Tax Policies in the Nationwide Pilot Collection of Value Added Tax in Lieu of Business Tax in the Transportation Industry and Certain Modern Services Industries (《財政部、國家税務總局關於在全國開展交通運輸業和部分現代服務業營業税改徵增值税試點税收政策的通知》)(Cai Shui [2013] No. 37) (the "**Cai Shui Notice No. 37**") and its appendixes promulgated on 24 May 2013 and to be effective on 1 August 2013 jointly by State Administration of Taxation and Ministry of Finance, the nationwide pilot BT to VAT in certain modern services industries has been approved by the State Council, and will be carried out on 1 August 2013; and the Cai Shui Notice No. 71 and the relevant regulations shall be abolished since 1 August 2013. According to the Cai Shui Notice No. 37, taxpayers providing services of certain modern service industries shall pay VAT, and will no longer pay BT; and for the taxpayers who provide services in modern services industry (with the exception of leasing services of tangible personal property), the tax rate shall be 6%.

Business tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業税暫行條例) effective from 1 January 1994, as amended on 10 November 2008, and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC must pay business tax. The items and rates of business tax shall be implemented in accordance with the List of Items and Rates of Business Tax (營業税税目税率表) attached to the regulation.

PROTECTION OF PHARMACEUTICAL PRODUCTS IN THE PRC

Patent law

Under the PRC Patent Law (中華人民共和國專利法), which was promulgated by the Standing Committee of the National People's Congress on 12 March 1984 and effective from 1 April 1985, as amended on 4 September 1992, 25 August 2000 and 27 December 2008, the period of patents relating to inventions are 20 years from the initial date the patent application was filed and the patent becomes effective upon the authorisation announcement is published by SIPO. The period of patents relating to utility model patents and design patents are ten years from the initial date the patent application was filed and the patent becomes effective upon the authorisation announcement is published by SIPO. Any persons and entities using the patent in the absence of authorisation from the patent owner or conducting other activities which infringe upon patent rights will be held liable for compensation to the patent owner, subject to fines charged by relevant administrative authorities and may include criminal liabilities, as the case may be.

Trademark law

Under the PRC Trademark Law (中華人民共和國商標法), which was promulgated by the Standing Committee of the National People's Congress on 23 August 1982 and became effective from March 1, 1983, as amended on 22 February 1993 and 27 October 2001, the Trademark Office of State Administration of Industry and Commerce is responsible for the registration and administration of trademarks throughout the country. The period of validity of a registered trademark is ten years from the date of registration; renewal is allowed thereafter and the period of validity of each renewal of registration is ten years. Any persons and entities using the registered trademark in the absence of authorisation from the registered trademark holder or conducting other activities which infringe upon registered trademark rights will be held liable for compensation to the registered trademark holder, subject to fines charged by relevant administrative authorities and may include criminal liabilities, as the case may be.

State Secret

According to the Law on Guarding of the State Secrets of the PRC (中華人民共和國保守國家秘密法) promulgated on 5 September 1988 and amended on 29 April 2010, the State Secrets are protected by laws, and all State organisations, armed forces, political parties, social associations, enterprises, working units and citizens shall fulfill their obligations of protecting the State Secrets. The State Secrets shall be classified into three categories: top secret (絕密), confidential (機密) and secret (秘密), and the protection periods respectively shall not exceed 30 years, 20 years and 10 years. The State Secrets shall be declassified automatically if the protection period of the secrets expires. If an organisation or unit violates the law and involves in significant secret divulgation, the persons in charge shall be punished by the relevant organisations or units. Pursuant to the Regulations on Protection of Scientific Technologies (科學技術保密規定) promulgated on 6 January 1995, the administrative governments of science and technologies may decide to prolong the period of secrets if they deem necessary. Although the Administration Provisions on Pharmaceutical Directions and Labels require that a label of medicine shall indicate all the ingredients, the Law of Protection of the State Secrets stipulates an obligation of protecting the State Secrets of all enterprises and citizens. The Company does not list all the ingredients of uremic clearance granule in its product label, as uremic clearance granule has been recognised by the relevant governmental authorities as a State Secret. As advised by our PRC Legal Advisers, such labelling does not violate the relevant PRC laws.

Formula and technologies which are recognised as State Secret(s) enjoy the highest level of confidentiality protection as (i) no other person is allowed to copy, record or keep such State Secret; (ii) any prohibited use or disclosure of such State Secret will be subject to penalties or criminal liabilities; and (iii) CFDA will suspend the examination of applications or registration of any pharmaceutical product if its formula or production technologies are the same as or similar to an existing State Secret.

ENVIRONMENTAL PROTECTION

The Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) is responsible for the uniform supervision and control of environmental protection in the PRC. It formulates national environmental quality and discharge standards and monitors the PRC's environmental system. Environmental protection bureaus at the county level and above are responsible for environmental protection within their areas of jurisdiction.

Pursuant to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the "**Environmental Protection Law**"), promulgated on and effective from 26 December 1989, by the Standing Committee of the National People's Congress, the environmental protection department of the State Council is in charge of promulgating national standards for environmental protection. The Environmental Protection Law requires any facility that produces pollutants or other hazards to incorporate environmental protection measures in its operations and establish an environmental protection responsibility system. Any entity that discharges pollution must register with the relevant environmental protection authority. Remedial measures for breaches of the Environmental Protection Law include a warning, payment of damages or imposition of a fine. Criminal liability may be imposed for a material violation of environmental laws and regulations that causes loss of property, personal injuries or death.

Pursuant to the Law on Environmental Impact Evaluation of the PRC (中華人民共和國環境影響評價法) promulgated on 28 October 2002 and effective from 1 September 2003, by the Standing Committee of the National People's Congress, manufacturers must prepare and file an environmental impact report setting forth the impact that the proposed construction project may

have on the environment and the measures to prevent or mitigate the impact for approval by the relevant PRC government authority prior to commencement of construction of the relevant project. New facilities built pursuant to this approval are not permitted to operate until the relevant environmental bureau has performed an inspection and is satisfied that the facilities are in compliance with environmental standards.

Pursuant to the Air Pollution Prevention Law of the PRC (中華人民共和國大氣污染防治法) promulgated by the Standing Committee of the National People's Congress on 5 September 1987, last amended on 29 April 2000 and effective from 1 September 2000, the environmental protection authorities above the county level are in charge of exercising unified supervision and administration of prevention and control of air pollution. Manufacturers discharging polluted air must comply with applicable national and local standards. Manufacturers discharging polluted air must pay polluted air discharging fees. If a manufacturer emits polluted air exceeding national or local standards, it must correct its action during a prescribed period of time and the manufacturer may be subject to penalties.

Pursuant to the Water Pollution Prevention Law of the PRC (中華人民共和國水污染防治法) promulgated by the Standing Committee of the National People's Congress on 11 May 1984, amended on 15 May 1996 and 28 February 2008, and effective from 1 June 2008, manufacturers must discharge water pollutants in accordance with national and local standards. If the water pollutants discharged exceed national or local standards, the manufacturer would be subject to fines amounting to two to five times the water pollutants treatment fees. In addition, the environmental protection authority has the right to order such manufacturer to correct their actions by reducing the amount of discharge during a stipulated period of time by restricting or suspending their operations. If the manufacturer fails to correct its action at the expiration of the stipulated period, the environmental protection authority may, subject to approval by the relevant level of the PRC government, shut down the manufacturer.

According to the Law of the PRC on Prevention and Control of Environmental Pollution by Noise (中華人民共和國環境噪聲污染防治法) promulgated on 29 October 1996 and effective as of 1 March 1997, new construction project, expansion, or reconstruction project that discharges pollutants into air shall be subject to the state regulations on environmental protection of construction projects. Industrial enterprises that discharge noise during industrial production with fixed facilities shall report to the local environmental protection department categories and quantities of their existing facilities for discharging noise, and the noise volume of noise discharged under their normal operation conditions as well as treating facilities against noise, and also submit to the same department technical information with regard to the prevention and control of noise pollution. Units discharge noise exceeding the relevant standards shall pay the discharge fee subject to the regulations.

OCCUPATIONAL HEALTH AND SAFETY

Pursuant to the Labour Law of the PRC (中華人民共和國勞動法) promulgated by the Standing Committee of the National People's Congress on 5 July 1994 and effective from 1 January 1995, as amended on 27 August 2009, employers must establish a comprehensive management system to protect the rights of their employees, including a system governing occupational health and safety to provide employees with occupational training to prevent occupational injury.

Pursuant to the Law of Manufacturing Safety of the PRC (中華人民共和國安全生產法) promulgated by the Standing Committee of the National People's Congress on 29 June 2002 and effective from 1 November 2002, as amended on 27 August 2009, manufacturers must establish a comprehensive management system to ensure manufacturing safety in accordance with applicable laws and regulations. Manufacturers who do not meet relevant legal requirements are not permitted to commence manufacturing activities.

Pursuant to the PRC Labour Contract Law (中華人民共和國勞動合同法) promulgated by the Standing Committee of the National People's Congress on 29 June 2007 and effective from 1 January 2008, as amended on 28 December 2012 and came into effect on 1 July 2013, employers are required, when employing labour, to truthfully inform prospective employees of the job description, working conditions, location, occupational hazards and status of safe production as well as remuneration and other conditions as requested by the PRC Labour Contract Law.

PRODUCT LIABILITY AND PROTECTION OF CONSUMERS

Product liability claims may arise if the products sold have any harmful effects on consumers. The injured party may file claims for damages or compensation. The General Principles of the Civil Law of the PRC (中華人民共和國民法通則), which was promulgated by the National People's Congress on 12 April 1986 and became effective from January 1, 1987, as amended on 27 August 2009, states that manufacturers and sellers of defective products causing property damage or injury shall incur civil liabilities.

The Product Quality Law of the PRC (中華人民共和國產品質量法) was promulgated on 22 February 1993 and effective from 1 September 1993 by the Standing Committee of the National People's Congress, as amended on 8 July 2000 and 27 August 2009, to strengthen quality control of products and protect consumers' rights. Under this law, manufacturers and operators who produce and sell defective products may be subject to the confiscation of earnings from such sales, the revocation of business licenses and imposition of fines, and in severe circumstances, may be subject to criminal liability.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法) was promulgated by the Standing Committee of the National People's Congress on 31 October 1993 and effective from 1 January 1994 to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and provide services to customers. In extreme situations, pharmaceutical product manufacturers and operators may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

On 26 December 2009, the Standing Committee of the National People's Congress of the PRC promulgated the PRC Tort Liability Law (中華人民共和國侵權責任法), which became effective from 1 July 2010. Producers shall bear liability for damage caused to others by their defective products, and for such damage, the injured party may seek compensation from either the producer or the seller. Where the product defect is caused by the producer, the seller may, after paying

compensation, claim the same from the producer. Where the product defect is caused by the seller, the producer may, after paying compensation, claim the same from the seller. With respect to the environment, the PRC Tort Liability Law highlighted the principle that polluters are to assume liability in respect of harm caused by their environmental pollution, irrespective of whether they have breached national environmental protection regulations.

PROVISIONS RELATING TO FOREIGN EXCHANGE

The Foreign Exchange Administrative Regulations of the PRC (中華人民共和國外匯管理條例) (the "**Foreign Exchange Administrative Regulations**"), which was promulgated and implemented since 1 April 1996 and was amended with effect from 5 August 2008, forms an important legal basis for the PRC authorities to supervise and regulate foreign exchange.

According to Foreign Exchange Administrative Regulations, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless prior approval of the SAFE is obtained.

Foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange.

In accordance with the Notice on Relevant Issues of Foreign Exchange Control on Domestic Residents regarding Corporate Financing and Round-trip Investment through Offshore Special Purpose Vehicles《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》("SAFE Notice No. 75") promulgated on 21 October 2005 and effective on 1 November 2005, a "special purpose vehicle" means an offshore enterprise directly established or indirectly controlled by PRC domestic residents (companies or individuals) for the purpose of carrying out offshore equity financing with the assets or equity interests they hold in domestic enterprises. And the PRC domestic residents who intend to carry out offshore equity financing shall file applications with, and obtain the records from, the foreign exchange administrative authorities.

LABOUR AND INSURANCE

The relevant labour laws in the PRC include the PRC Labour Law (中華人民共和國勞動法) (the "**Labour Law**") (effective from 1 January 1995), the PRC Labour Contract Law (中華人民共和國勞動合同法) (effective from 1 January 2008), the Social Insurance Law of the PRC (中華人民共和國社會保險法) (effective from 1 July 2011), the Regulation of Insurance for Work-Related Injury (工傷保險條例) (effective from 1 January 2011), the Provisional Measures on Insurance for Maternity of Employees (企業職工生育保險試行辦法) (effective from 1 January 1995), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) (effective from 22 January 1999), the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法) (effective from 19 March 1999), the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例) (effective from 24 March 2002), and other related law and regulations issued by relevant governmental authorities from time to time in the PRC.

The Labour Law was promulgated by the Standing Committee of the National People's Congress on 5 July 1994. According to the Labour Law, employees are entitled to have equal opportunities in employment, selection of occupations, receiving wages and remuneration, rest days and holidays, protection of occupational safety and health, the rights to social insurance and welfare, etc. An employee shall not work for more than eight hours a day and no more than 44 hours

a week on average. The employers must establish and improve the system for occupational safety and health, provide education on occupational safety and health to employees, and comply with the State and/or local regulations of occupational safety and health as well as provide the necessary labour protective measures to employees.

On 29 June 2007, the PRC Labour Contract Law, another important law concerning employees, was adopted by the Standing Committee of the National People's Congress and came into effect on 1 January 2008 and was amended on 28 December 2012. According to the PRC Labour Contract Law, labour contracts must be executed in order to establish a labour relationship between an employer and employees. When an employer is recruiting employees, it should inform the employees truthfully the content of work, working conditions, place of work, occupational hazards, safe production conditions, labour remuneration and other circumstances requested to be notified by the employees. An employer and an employee shall fully perform their respective obligations in accordance with the terms set forth in the labour contract. An employer must make payment for employee remuneration timely and in full amount in accordance with the contract terms, must strictly abide by the fixed standard of labour work, and must not force or threaten an employee in disguise to work overtime. After the labour contract is released or terminated, the employer should issue a proof of release or termination of the labour contract to the employee, and complete the filing procedure and transfer of social insurance relationship for the employee within 15 days.

Under the Social Insurance Law, the Regulation of Insurance for Work-Related Injury, the Provisional Measures on Insurance for Maternity of Employees, the Interim Regulation on the Collection and Payment of Social Insurance Premiums, and the Interim Provisions on Registration of Social Insurance, an employer is required to contribute the social insurance for its employees, including the basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and injury insurance.

Under the Regulations on the Administration of Housing Accumulation Funds, promulgated by the State Council on 3 April 1999 and as amended on 24 March 2002, employers are required to make contributions to a housing accumulation fund for their employees.

M&A RULES

Under the M&A Rules, mergers and acquisitions of domestic enterprises by foreign investors must be reviewed and approved by the MOFCOM or its provincial branches. Particularly, the M&A Rules require special purpose offshore companies formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange.

OUR BUSINESS HISTORY

Our Group's history can be traced back to 1997 when our predecessor, Consun Pharmaceutical Factory (康臣製藥廠), established GZ Consun in December 1997. GZ Consun subsequently became a WFOE wholly owned by Cannopus in December 1998.

In 2003, our Guangzhou production plant obtained the GMP certification. We expanded our operation to Tongliao, Inner Mongolia autonomous region with the establishment of Consun (Inner Mongolia) in December 2005. Our production plant in Tongliao, Inner Mongolia autonomous region, obtained the GMP certification and commenced production in 2008. This plant enabled us to benefit from the close proximity of the key Chinese herbs plantation bases. We strategically acquired Kangyuan in October 2009 to further strengthen our production capacity in Inner Mongolia autonomous region. Set out below are our key business development:

1998..... Our gadopentetate dimeglumine injection was commercially launched.

Our uremic clearance granule was commercially launched.

2001..... GZ Consun was granted the "High and New Technology Enterprise" (高新技術企業) status.

2003..... Our Guangzhou production plant obtained the GMP certification.

2006..... Our own research and development laboratory for kidney medicines was established.

The production technique of our uremic clearance granule was patented by SIPO.

The formula and key production technique of our uremic clearance granule were recognised by the Ministry of Science and Technology and State Secrecy Bureau (國家保密局) as a State Secret under the secret category.

2008..... Our Tongliao production plant obtained the GMP certification.

2009..... Our kidney repair and edema alleviation granule was commercially launched.

Consun (Inner Mongolia) was granted the "High and New Technology Enterprise" status.

2011..... was recognised as "Guangzhou Well-known Brand" by the Guangzhou branch of SAIC.

2012..... 康臣 CONSUN was recognised as "Guangdong Well-known Brand" by the Guangdong branch of SAIC.

Our uremic clearance granule was listed in the National List of Essential Medicines.

OUR CORPORATE HISTORY UP TO THE REORGANISATION

Our Operating Subsidiaries in the PRC

We primarily conduct our integrated pharmaceutical business in the PRC through our five operating subsidiaries, being GZ Consun, Consun Medicine, Consun Research, Consun (Inner Mongolia) and Kangyuan.

GZ Consun

GZ Consun, being one of our operating subsidiaries in Guangzhou, the principal business activities of which are the research, production and sales of pharmaceutical and healthcare products.

GZ Consun was established in the PRC on 29 December 1997 as a sino-foreign equity joint venture enterprise with an initial registered capital of RMB80.0 million. At the time of its establishment, GZ Consun was registered to be owned as to 51.0% by Cannopus (beneficially owned and controlled by Mr. YOUNG since the date of its incorporation) and as to 49.0% by Consun Pharmaceutical Factory, which was wholly owned by 中國人民解放軍第一軍醫大學 (the First Military Medical University of the People's Liberation Army of the PRC). When GZ Consun was first established, its operation was financed by Cannopus and Consun Pharmaceutical Factory with their respective internal resources. In December 1998, Consun Pharmaceutical Factory transferred its 49.0% equity interests in GZ Consun to Cannopus at a consideration of RMB13.0 million. After the transfer, GZ Consun became a WFOE wholly owned by Cannopus.

In May 2002, after reducing the registered capital of GZ Consun to RMB45,530,000 due to reduction of investment in GZ Consun as a result of adverse change in the then economy of the PRC, Cannopus attempted to transfer 12.0% and 3.0% of its equity interest in GZ Consun to Qian'an (owned by Ms. LI) and Zijing (then owned as to 80.0% by Mr. WANG Zi Han) for a consideration of RMB5,463,600 and RMB1,365,900, respectively. The considerations were determined with reference to the reduced registered capital of GZ Consun at that time. However, as Qian'an had only settled part of the consideration, which is equivalent to 6.0% equity interest in GZ Consun, while Zijing had failed to settle all consideration, only 6.0% equity interest in GZ Consun was eventually transferred to Qian'an by Cannopus. As a result, GZ Consun was owned as to 94.0% by Cannopus and as to 6.0% by Qian'an.

The registered capital of GZ Consun was increased to RMB55,770,000 and RMB80,770,000 in August 2004 and January 2008, respectively.

In July 2008, Cannopus transferred 20.0% and 5.0% of its equity interest in GZ Consun to Grand Reach and Faithful Gain, both of which were holding companies incorporated in Hong Kong and ultimately owned by Mr. YOUNG at that time, for a consideration of RMB23,261,760 and RMB5,815,440, respectively. The considerations were determined with reference to, among other things, the amount of the registered capital and the net asset value of approximately RMB150.0 million of GZ Consun as at 31 December 2007. The purpose of such transfers was to facilitate the proposed divestment of Mr. YOUNG's 25.0% indirect interest in GZ Consun. Subsequently, in November 2008, Mr. YOUNG transferred his 20.0% indirect equity interest in GZ Consun to Hony Capital, by transferring all his indirect equity interest in Immense Value, which wholly owned Grand Reach, for a consideration of RMB180.0 million and his 5.0% indirect equity interest in GZ Consun to a holding company owned by Mr. WANG Zi Han, by transferring all his indirect equity interest in a BVI intermediary holding company, which wholly owned Faithful Gain, for a consideration of RMB30.0 million, respectively. The considerations of such transfers were arrived at arm's length

negotiations. For the transfer of 20.0% equity interest in GZ Consun to Hony Capital, please also refer to the paragraph headed "Our subsidiaries in the BVI and Hong Kong prior to the Reorganisation – *Immense Value*" below in this section.

In December 2008, Qian'an transferred 0.95213%, 0.45464% and 0.35323% equity interest in GZ Consun to Kangsheng, Kangli and Kangji (all owned by the employees or ex-employees of GZ Consun) for a consideration of RMB1,098,000, RMB546,272 and RMB405,000, respectively. The considerations were arrived after arm's length negotiations and determined with reference to, among other things, the amount of the registered capital and the net asset value of approximately RMB150.0 million of GZ Consun as at 31 December 2007. Following these transfers, GZ Consun was owned as to 69.0% by Cannopus, as to 20.0% by Grand Reach, as to 5.0% by Faithful Gain, as to 4.24% by Qian'an, as to 0.95213% by Kangsheng, as to 0.45464% by Kangli and as to 0.35323% by Kangji immediately before the Reorganisation.

Consun Medicine

Consun Medicine, being one of our operating subsidiaries in Guangzhou, the principal business activities of which are wholesale of Chinese herb, Chinese medicine, biochemical drugs and antibiotic drugs, and import and export goods and technology.

Consun Medicine (formerly known as 廣州瑞蕾醫藥有限公司 (Guangzhou Ruilei Medical Co., Ltd.)) was established in the PRC on 1 December 2003 with an initial registered capital of RMB500,000. At the time of its establishment, Consun Medicine was owned as to 80.0% by Ms. LI and as to 20.0% by Ms. LIU Ling, who was a former employee of GZ Consun.

In August 2004, Consun Medicine increased its registered capital to RMB3.0 million and changed its company name to Consun Medicine.

In February 2007, Ms. LI and Ms. LIU Ling transferred 40.0% and 20.0% of their equity interests in Consun Medicine to GZ Consun for a consideration of RMB1.2 million and RMB600,000, respectively. In February 2008, Ms. LI transferred her remaining 40.0% equity interests in Consun Medicine to GZ Consun for a consideration of RMB1.2 million. The considerations of such transfers were determined with reference to the then registered capital of RMB3.0 million. Following these transfers, Consun Medicine has become a wholly-owned subsidiary of GZ Consun.

Consun Research

Consun Research, being one of our operating subsidiaries in Guangzhou, the principal business activities of which are research of pharmaceutical and healthcare products, technology transfer and technology consultation.

Consun Research was established in the PRC on 28 September 2005 with an initial registered capital of RMB300,000. At the time of its establishment, Consun Research was owned as to 50.0% by Mr. AN, as to 30.0% by Consun Medicine and as to 20.0% by Mr. SHI Xinghua, who is a senior consultant of GZ Consun.

In February 2007, Consun Medicine, Mr. AN and Mr. SHI Xinghua transferred 30.0%, 10.0% and 20.0% of their equity interests in Consun Research to GZ Consun for a consideration of RMB90,000, RMB30,000 and RMB60,000, respectively. In February 2008, Mr. AN transferred his remaining 40.0% equity interests in Consun Research to GZ Consun for a consideration of RMB120,000. The considerations of such transfers were determined with reference to the then

registered capital of RMB300,000. Following these transfers, Consun Research has become a wholly-owned subsidiary of GZ Consun.

In September 2008, the registered capital of Consun Research was increased to RMB10.0 million.

Consun (Inner Mongolia)

Consun (Inner Mongolia), being one of our operating subsidiaries in Inner Mongolia, the principal business activity of which is production of proprietary Chinese medicines.

Consun (Inner Mongolia) was established in the PRC on 29 December 2005 as a sino-foreign equity joint venture enterprise with a registered capital of RMB25.0 million. At the time of its establishment, Consun (Inner Mongolia) was owned as to 50.0% by GZ Consun, as to 47.0% by Cannopus and as to 3.0% by Qian'an.

In March 2007, Cannopus and Qian'an transferred 9.4% and 0.6% of their equity interests in Consun (Inner Mongolia) to GZ Consun for a consideration of RMB2,350,000 and RMB150,000, respectively.

In November 2008, Cannopus and Qian'an transferred their remaining 37.6% and 2.4% equity interests in Consun (Inner Mongolia) to GZ Consun for a consideration of RMB9.4 million and RMB600,000, respectively. The considerations of these transfers were determined with reference to the registered capital of Consun (Inner Mongolia). Following these transfers, Consun (Inner Mongolia) has become a wholly-owned subsidiary of GZ Consun.

Kangyuan

Kangyuan, being one of our operating subsidiaries in Inner Mongolia, was acquired by our Group in October 2009 and the principal business activities of which are production and sales of chemicals, antibiotic drugs, capsules and oral solution.

Kangyuan was established in the PRC on 13 June 2000. Before being acquired by our Group in October 2009, Kangyuan was owned as to approximately 54.9% by Mr. LIU Shengcheng and as to approximately 36.7% by 科左后旗國有資產經營管理公司 (Kezuohouqi State-owned Assets Management Company) ("**Kezuohouqi Management**") with the remaining approximately 8.4% owned by other ten shareholders, including two PRC entities and eight PRC individuals. All of such shareholders are Independent Third Parties.

In June 2009, 科爾沁左翼後旗人民政府 (Keerqin Zuoyihouqi Peoples' Government) invited GZ Consun to acquire the entire equity interest of Kangyuan with the intention to develop the regional pharmaceutical industry of Tongliao, Inner Mongolia autonomous region. GZ Consun was honored to proceed with the acquisition in October 2009 after taken into account major considerations that (i) our Group could enhance the development of our production base in Inner Mongolia autonomous region which is strategically located to benefit from the close proximity of the plantation bases of the key Chinese herbs for our production in order to facilitate the delivery and supply of raw materials and thereby reducing the production cost; and (ii) with the intention to broaden our product segment by acquiring the production approvals of additional 78 other medicines, on top of the six original production approvals held by GZ Consun at that time. We manufacture and sell 17 of such other medicine during the Track Record Period but gradually ceased the production and sale of the 12 of them, which were manufactured by Kangyuan since March 2010 due to their lower gross profit margins in order to focus on the production and marketing resources on our major key products.

The acquisition of 100.0% equity interest in Kangyuan was implemented in two phases. In October 2009, approximately 54.9% and, in aggregate, approximately 8.4% equity interest in Kangyuan owned by Mr. LIU Shengcheng and the other ten shareholders were acquired by GZ Consun for the total consideration of approximately RMB3.0 million, which were subsequently transferred to Consun (Inner Mongolia) in December 2009. The considerations for the transfers were settled in April 2010. We acquired the remaining equity interest in Kangyuan from the PRC state-owned Kezuohouqi Management for a consideration of approximately RMB1.8 million after going through a public bidding process between 22 December 2009 and 19 January 2010. The consideration was paid to 內蒙古產權交易中心 (Inner Mongolia Property Rights Exchange Center), which held such consideration in escrow on behalf of Kezuohouqi Management, and completed in January 2010 as stipulated by the share transfer agreement entered into between Kezuohouqi Management and Consun (Inner Mongolia), while such transfer was filed with relevant PRC authority in March 2010. The considerations were determined with reference to the appraisal value of Kangyuan as at 30 June 2009 prepared by an independent valuer, 北京德祥資產評估有限責任公司 (Beijing Dexiang Assets Appraisal Co., Ltd.). After such transfers, Kangyuan has become a wholly-owned subsidiary of Consun (Inner Mongolia).

Our subsidiaries in the BVI and Hong Kong prior to the Reorganisation

Prior to the Reorganisation, our major offshore subsidiaries are as below. Our subsidiaries in the BVI and Hong Kong are all intermediary holding companies.

Immense Value

Immense Value was incorporated as a limited liability company in the BVI on 28 February 2008 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. Immense Value held 100.0% equity interest in Grand Reach which in turn held 20.0% equity interest in GZ Consun. In April 2008, one ordinary share of US$1.00 each was allotted and issued by Immense Value to Glory Garden Holdings Limited, a company incorporated in the BVI which was then wholly owned by Cannopus and indirectly held 20.0% equity interest in GZ Consun through Immense Value and Grand Reach.

In November 2008, Glory Garden Holdings Limited (as then ultimately owned by Mr. YOUNG) transferred one ordinary share, representing 100.0% of equity interest in Immense Value to First Kind (ultimately owned by Hony Capital) for a consideration of RMB180.0 million. The consideration was arrived after arm's length negotiations. After such transfer, Hony Capital indirectly held 20.0% equity interest in GZ Consun through First Kind, Immense Value and Grand Reach.

In June 2010, to simplify the shareholding structure, First Kind transferred one ordinary share in Immense Value to Hony Capital for a consideration of approximately US$26.3 million, which was determined with reference to the original investment cost of Hony Capital in 2008 and was settled in December 2012. As a result, Immense Value was directly wholly owned by Hony Capital immediately before the Reorganisation.

Grand Reach

Grand Reach was incorporated as a limited liability company in Hong Kong on 22 April 2008 with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. On the same day, one ordinary share of HK$1.00 each was allotted and issued by Grand Reach to Sagacious Inc, which is a company secretarial service company.

In May 2008, Sagacious Inc. transferred one ordinary share in Grand Reach to Immense Value for a consideration of HK$1.00 and 999 ordinary shares of HK$1.00 each were subsequently allotted and issued by Grand Reach to Immense Value in September 2010. Grand Reach has become a wholly-owned subsidiary of Immense Value since May 2008.

Brilliant Reach

Brilliant Reach was incorporated as a limited liability company in the BVI on 8 June 2010 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. In October 2010, one ordinary share of US$1.00 each was allotted and issued by Brilliant Reach to Mr. YOUNG. As a result, Brilliant Reach was wholly owned by Mr. YOUNG immediately before the Reorganisation.

Disposed subsidiary during the Track Record Period

Consun Pharmaceutical Limited (formerly named as Grand Millions International Limited) was a limited liability company incorporated in Hong Kong with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. Prior to the disposal of Consun Pharmaceutical Limited by our Group, it was owned as to 90.0% by GZ Consun and the remaining 10.0% by Mr. YOUNG, Mr. AN and Ms. LI. Consun Pharmaceutical Limited was set up mainly for carrying out trading business in Hong Kong and holding a residential property. Since no business was subsequently carried out in Hong Kong, Consun Pharmaceutical Limited was disposed to an Independent Third Party in December 2010 at approximately RMB3.3 million with reference to the net asset value of Consun Pharmaceutical Limited.

Concerted Group of Controlling Shareholders

Mr. YOUNG, Mr. AN and Ms. LI, as the Concerted Group, have directly and indirectly controlled the management and operation of GZ Consun since 1 January 2002. Mr. YOUNG, being the financial investor, has not participated in the daily management of GZ Consun and has placed substantial reliance on Mr. AN and Ms. LI, whom Mr. YOUNG has known for over 20 and 15 years, respectively. The Concerted Group has maintained a long term business relationship for more than 10 years since the end of 2001, when they had the intention of jointly investing in the GZ Consun and controlling the management and operation of GZ Consun through the Voting Arrangement (as defined below).

On 1 January 2002, the Concerted Group entered into the Acting in Concert Agreement. On 11 March 2013, in preparation for the Listing, the Concerted Group executed the Acting in Concert Confirmation, whereby they confirmed their acting in concert arrangement in the past, as well as their intention to continue with such arrangement to consolidate their control of our Group until the Acting in Concert Agreement is terminated otherwise.

Pursuant to the Acting in Concert Agreement and the Acting in Concert Confirmation, the Concerted Group is considered to act as a group of Controlling Shareholders because:

(a) Mr. YOUNG, Mr. AN and Ms. LI agreed to act in concert with each other when dealing with operational and financial matters of GZ Consun and its subsidiaries since the date of Acting in Concert Agreement.

(b) Among themselves, the Concerted Group also made an arrangement that Mr. YOUNG and Ms. LI (as ultimate shareholders and directors of GZ Consun) shall exercise their shareholders' rights to vote and will continue to vote pursuant to the opinion of Mr. AN, who is most familiar with and has more than 15 years of experience in the business of our Group (the "**Voting Arrangement**").

(c) The Concerted Group held meetings from time to time (whenever material issues arose) and reached consensus on all key decisions through the Voting Arrangement.

(d) Due to its company nature, GZ Consun did not hold any shareholders' meetings from January 2002 to November 2012 (the "**Concerted Period**"). The Concerted Group had voted unanimously on all board resolutions during the Concerted Period.

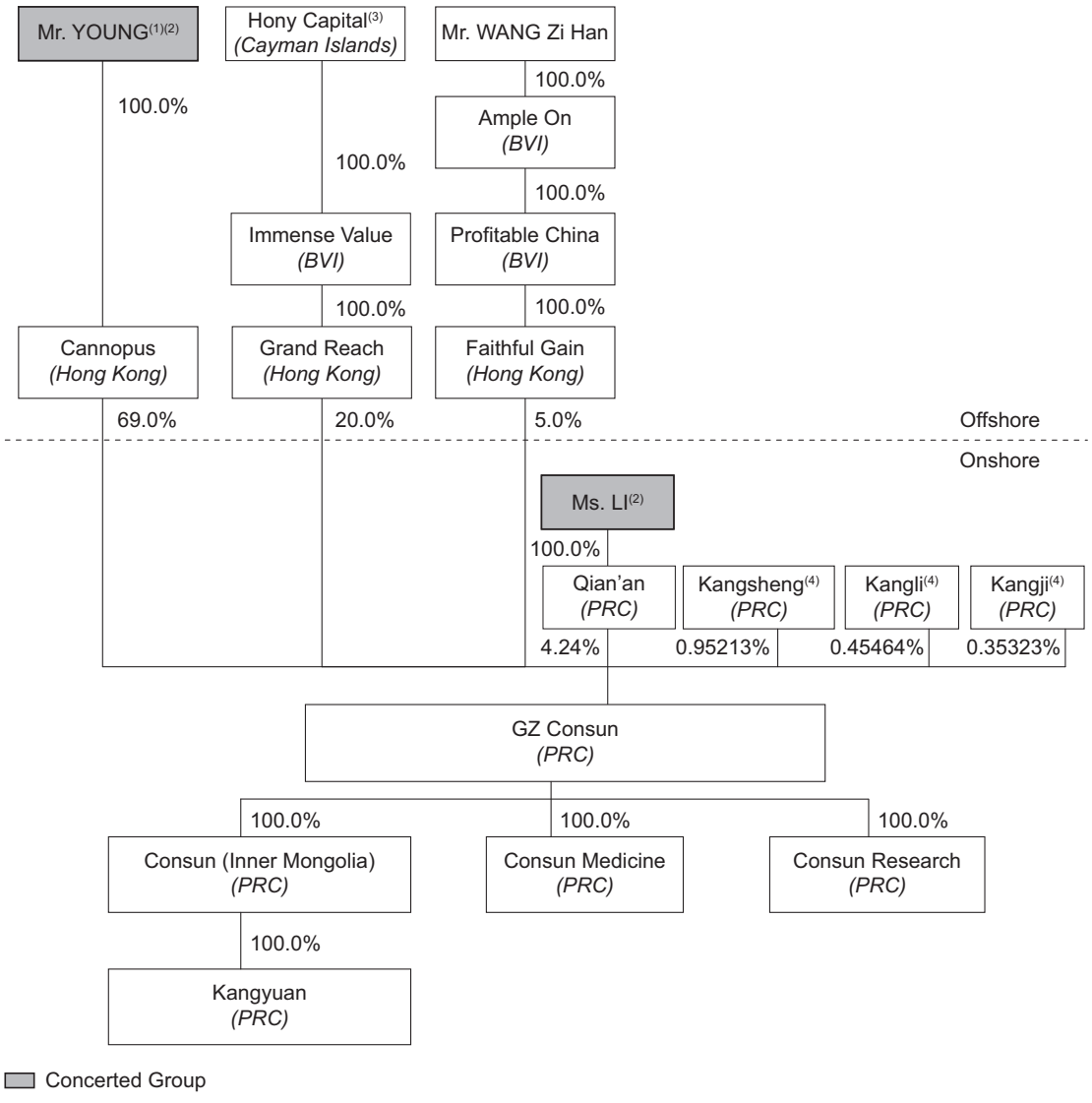
(e) During the Concerted Period, Mr. YOUNG appointed directors through Cannopus pursuant to the opinion of Mr. AN while Ms. LI appointed herself as director through Qian'an.

(f) The Concerted Group has the intention to continue to jointly control our Company until the Acting in Concert Agreement is terminated.

(g) The Concerted Group would be regarded as "acting in concert" for the purpose of the Takeovers Code.

The Concerted Group will be beneficially interested in approximately 73.6% equity interest of GZ Consun immediately before the Reorganisation and will be beneficially interested in approximately 47.8% of our entire issued share capital after the completion of the Reorganisation, Global Offering and Capitalisation Issue (taking into no account of any Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme).

The following chart sets forth our Group's corporate and shareholding structure immediately before our Reorganisation:



Notes:

(1) Mr. YOUNG has beneficially owned and controlled Cannopus since its incorporation.

(2) Mr. YOUNG, Mr. AN and Ms. LI, as the Concerted Group, are considered to act as a group of Controlling Shareholders for the purpose of the Listing Rules. Further information is set out in the paragraph headed "Concerted Group of Controlling Shareholders" above in this section.

(3) Hony Capital is controlled by its sole general partner, Hony Capital Fund III GP, L.P. Hony Capital Fund III GP, L.P. is in turn controlled by its sole general partner, Hony Capital Fund III GP Limited. Hony Capital Fund III GP Limited is wholly owned by Hony Capital Management Limited, which is in turn owned as to 20.0% by Legend Holdings Limited (through its wholly-owned subsidiary, Right Lane Limited) and 80.0% by Mr. John Huan ZHAO (through Hony Managing Partners Limited, a company wholly owned by him). Legend Holdings Limited is ultimately owned as to 36.0% by the Chinese Academy of Sciences (whose interests in Legend Holdings Limited are held through its wholly-owned subsidiary, Chinese Academy of Sciences Holdings Co., Ltd.), 24.0% by 北京聯持志遠管理諮詢中心(有限合夥) (Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership), 20.0% by China Oceanwide Holdings Group Co. Ltd., 8.9% by 北京聯恒永信投資中心(有限合夥) (Beijing Lian Heng Yong Xin Investment Center Limited Partnership), 3.4% by Mr. LIU Chuanzhi (柳傳志), 2.4% by Mr. ZHU Linan (朱立南), 1.8% by Mr. NING Min (寧旻), 1.5% by Mr. HUANG Shaokang (黃少康), 1.0% by Mr. CHEN Shaopeng (陳紹鵬) and 1.0% by Mr. TANG Xudong (唐旭東).

(4) Each of Kangsheng, Kangli and Kangji is wholly owned by various employees or ex-employees of GZ Consun.

REORGANISATION

In order to prepare for the Listing, we underwent the Reorganisation which involved the following steps:

(1) Incorporation of our Company

Our Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on 13 December 2010 to act as the ultimate holding company of our Group. As at the date of incorporation of our Company, its authorised share capital was HK$100,000 divided into 1,000,000 Shares of HK$0.10 each. On the same day, one Share was allotted, issued and credited as fully paid to our Company's initial subscriber. On 24 January 2011, the initial subscriber transferred one Share to Cannopus for a consideration of HK$0.10.

As of the Latest Practicable Date, all allotted and issued shares of our Company were held as to 29.9% by First Kind, 26.0% by Central Success, 21.34% by Guidoz, 16.0% by Double Grace, 5.0% by Ample Wise, 0.95213% by Assets Builder, 0.45464% by Wealthy Hero and 0.35323% by Loyal Team. As a result of the Reorganisation, our Company, through Brilliant Reach and Immense Value, indirectly holds all the equity interests in our subsidiaries, which have been principally engaged in the research, manufacturing and sale of modern Chinese medicines and medical contrast medium in the PRC.

(2) Transfer of entire equity interests in Brilliant Reach

Prior to the Reorganisation, Brilliant Reach was wholly owned by Mr. YOUNG.

On 27 March 2012, Mr. YOUNG transferred 100.0% equity interests in Brilliant Reach to our Company for a consideration of US$1.00. Upon completion of the equity transfer, Brilliant Reach became a direct wholly-owned subsidiary of our Company.

(3) Incorporation of Century International

On 27 March 2012, Century International was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. On the same day, one ordinary share of HK$1.00 each was allotted and issued by Century International to Brilliant Reach. Accordingly, Century International became an indirect wholly-owned subsidiary of our Company.

(4) Share swaps and acquisition of the entire equity interest in GZ Consun

(a) Pursuant to a share swap agreement dated 29 March 2012, Hony Capital transferred 100.0% equity interest in Immense Value to our Company. As the consideration of such transfer, our Company allotted and issued 2,000 Shares, credited as fully paid, to Hony Capital through First Kind at the direction of the transferor. Upon completion of the equity transfer, Immense Value became a direct wholly-owned subsidiary of our Company.

(b) Pursuant to a share swap agreement dated 29 March 2012, Mr. WANG Zi Han transferred 100.0% equity interest in Ample On to our Company. As the consideration of such transfer, our Company allotted and issued 500 Shares, credited as fully paid, to Mr. WANG Zi Han through Ample Wise at the direction of the transferor. Upon completion of the equity transfer, Ample On became a direct wholly-owned subsidiary of our Company and was transferred back to Mr. WANG Zi Han in December 2012. For details, please refer to paragraph (5) below.

(c) On 29 March 2012, our Company allotted and issued 6,899 Shares to Cannopus for a consideration of approximately RMB161.3 million, which is equivalent to the consideration for our Group's acquisition of 69.0% equity interest in GZ Consun. The consideration was determined with reference to appraisal value of GZ Consun based on the Assets Appraisal Report dated 10 January 2012 (the "**Assets Appraisal Report**") produced by 廣州同嘉資產評估有限公司 (Guangzhou Tongjia Assets Appraisal Co., Ltd.), an Independent Third Party. According to the Assets Appraisal Report, the appraisal value of GZ Consun as of 30 November 2011 was approximately RMB233.8 million. An equity transfer agreement dated 19 November 2012 was entered into between Cannopus and Century International, pursuant to which Century International agreed to acquire 69.0% equity interest in GZ Consun for a consideration of approximately RMB161.3 million. The consideration was set off pursuant to a Deed of Set-off dated 24 December 2012 and entered into among Cannopus, Century International and our Company.

(d) On 29 March 2012, our Company allotted and issued 424 Shares to Ms. LI through Double Grace for a consideration of approximately RMB9.9 million, which is equivalent to the consideration for our Group's acquisition of 4.24% equity interest in GZ Consun. The consideration was determined with reference to the Assets Appraisal Report and was settled in November 2012. An equity transfer agreement dated 19 November 2012 was entered into between Qian'an and Century International, pursuant to which Century International agreed to acquire 4.24% equity interest in GZ Consun for a consideration of approximately RMB9.9 million, which was settled in February 2013.

(e) On 29 March 2012, our Company allotted and issued 95.213 Shares to Mr. AN, who beneficially owns 18.8324% interest and holds the remaining interest as a trustee for 17 employees or ex-employees of GZ Consun, through Assets Builder for a consideration of approximately RMB2.2 million, which is equivalent to the consideration for our Group's acquisition of 0.95213% equity interest in GZ Consun. The consideration was determined with reference to the Assets Appraisal Report and was settled in November 2012. An equity transfer agreement dated 19 November 2012 was entered into between Kangsheng and Century International, pursuant to which Century International agreed to acquire 0.95213% equity interest in GZ Consun for a consideration of approximately RMB2.2 million, which was settled in February 2013.

(f) On 29 March 2012, our Company allotted and issued 45.464 Shares to Mr. ZHOU Shangwen, who beneficially owns 9.4654% interest and holds the remaining interest as a trustee for 13 employees or ex-employees of GZ Consun, through Wealthy Hero for a consideration of approximately RMB1.1 million, which is equivalent to the consideration for our Group's acquisition of 0.45464% equity interest in GZ Consun. The consideration was determined with reference to the Assets Appraisal Report and was settled in November 2012. An equity transfer agreement dated 19 November 2012 was entered into between Kangli and Century International, pursuant to which Century International agreed to acquire 0.45464% equity interest in GZ Consun for a consideration of approximately RMB1.1 million, which was settled in February 2013.

(g) On 29 March 2012, our Company allotted and issued 35.323 Shares to Mr. TANG Ning, as a trustee for 15 employees or ex-employees of GZ Consun, through Loyal Team for a consideration of approximately RMB0.8 million, which is equivalent to the consideration for our Group's acquisition of 0.35323% equity interest in GZ Consun. The consideration was determined with reference to the Assets Appraisal Report and was settled in November 2012. An equity transfer agreement dated 19 November 2012 was entered into between Kangji and Century International, pursuant to which Century International agreed to acquire 0.35323% equity interest in GZ Consun for a consideration of approximately RMB0.8 million, which was settled in February 2013.

The acquisition of equity interest in GZ Consun as mentioned in paragraphs (c) to (g) above has been approved by 廣東省對外貿易經濟合作廳 (the Department of Foreign Trade and Economic Cooperation of Guangdong Province) on 4 December 2012. Following these transfers, our Company was owned as to 69.0% by Cannopus, as to 20.0% by First Kind, as to 5.0% by Ample Wise, as to 4.24% by Double Grace, as to 0.95213% by Assets Builder, as to 0.45464% by Wealthy Hero and as to 0.35323% by Loyal Team.

(5) Intra-group transfer of 5.0% equity interest in GZ Consun

To enjoy the 5.0% preferential tax rate on dividend payment as stipulated by the "Arrangement between the Mainland of China and the HKSAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion", an equity transfer agreement was entered into between Grand Reach and Faithful Gain on 19 November 2012, pursuant to which Faithful Gain transferred 5.0% of its equity interest in GZ Consun for a consideration of approximately RMB11.7 million which was determined with reference to the Assets Appraisal Report. The consideration was waived pursuant to a Deed of Waiver dated 20 November 2012 and entered into between Grand Reach and Faithful Gain. The transfer was approved by the Department of Foreign Trade and Economic Cooperation of Guangdong Province on 4 December 2012. After such transfer, Ample On, an intermediate holding company, was no longer useful to our Group and 100.0% equity interests in Ample On was transferred back to Mr. WANG Zi Han for a consideration of US$1.00 at nominal amount in December 2012.

We confirm that all the Reorganisation steps as disclosed above were properly and legally settled and completed.

(6) Transfer of Shares among the Shareholders of our Company

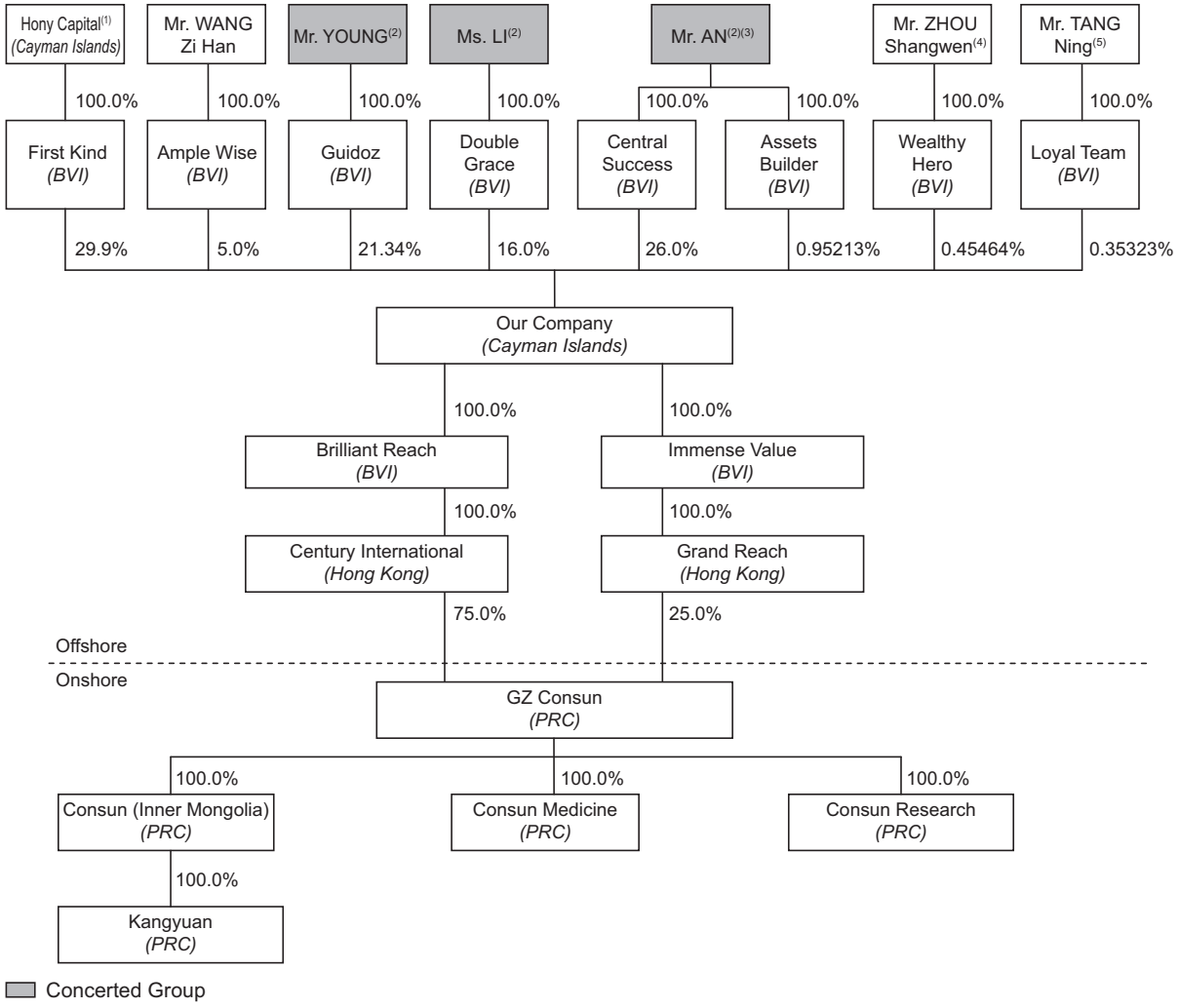
(a) Pursuant to the instrument of transfer dated 24 December 2012, Cannopus transferred 47.34% equity interest in our Company to Mr. YOUNG through Guidoz. Both companies are wholly owned by Mr. YOUNG. Such transfer was properly and legally settled and completed.

(b) Pursuant to an equity transfer agreement dated 7 October 2011 entered into between Cannopus and Double Grace and an equity transfer agreement dated the even date entered into between Cannopus and First Kind, Double Grace and First Kind acquired 11.76% and 9.9% equity interest in our Company for a consideration of approximately RMB80.0 million and RMB118.8 million, respectively. The considerations were determined with reference to the then financial condition, business operation and prospect of our Group taking into account the market condition. The considerations were settled in January 2012 and October 2011, respectively. Such transfers were conditional upon the completion of the Reorganisation steps as described in paragraphs (4)(c) to (4)(g) above which were subject to approval by relevant PRC authorities. Such transfers were subsequently completed on 24 December 2012. The reasons for such transfers are because Mr. YOUNG wants to cash out part of his investment in our Group and Mr. YOUNG considers it is in the best interests of our Group and its shareholders as a whole to allow the core management team members to acquire more shares in our Group. Such transfers were properly and legally settled and completed.

(c) Pursuant to an equity transfer agreement dated 19 November 2012 and a supplemental agreement dated 29 May 2013 entered into between Guidoz and Central Success, Central Success acquired 26.0% equity interest in our Company for an aggregate consideration of approximately RMB171.1 million. The consideration was determined with reference to the appraisal value of our Group as of 31 October 2012, which was approximately RMB658.0 million, prepared by an independent valuer, American Appraisal China Limited, when the Reorganisation was almost completed. The consideration was settled in May 2013. The reasons for such transfer are because Mr. YOUNG wants to cash out part of his investment in our Group and Mr. YOUNG considers it is in the best interests of our Group and its shareholders as a whole to allow the core management team members to acquire more shares in our Group. Such transfer was properly and legally settled and completed.

Upon completion of the Reorganisation, our Company was owned by First Kind as to 29.9%, Central Success as to 26.0%, Guidoz as to 21.34%, Double Grace as to 16.0%, Ample Wise as to 5.0%, Assets Builder as to 0.95213%, Wealthy Hero as to 0.45464% and Loyal Team as to 0.35323%.

The corporate structure of our Group after the Reorganisation but immediately prior to the Capitalisation Issue and the Global Offering is set out below:



Notes:

(1) Hony Capital is controlled by its sole general partner, Hony Capital Fund III GP, L.P. Hony Capital Fund III GP, L.P. is in turn controlled by its sole general partner, Hony Capital Fund III GP Limited. Hony Capital Fund III GP Limited is wholly owned by Hony Capital Management Limited, which is in turn owned as to 20.0% by Legend Holdings Limited (through its wholly-owned subsidiary, Right Lane Limited) and 80.0% by Mr. John Huan ZHAO (through Hony Managing Partners Limited, a company wholly owned by him). Legend Holdings Limited is ultimately owned as to 36.0% by the Chinese Academy of Sciences (whose interests in Legend Holdings Limited are held through its wholly-owned subsidiary, Chinese Academy of Sciences Holdings Co., Ltd.), 24.0% by Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership, 20.0% by China Oceanwide Holdings Group Co. Ltd., 8.9% by Beijing Lian Heng Yong Xin Investment Center Limited Partnership, 3.4% by Mr. LIU Chuanzhi, 2.4% by Mr. ZHU Linan, 1.8% by Mr. NING Min, 1.5% by Mr. HUANG Shaokang, 1.0% by Mr. CHEN Shaopeng and 1.0% by Mr. TANG Xudong.

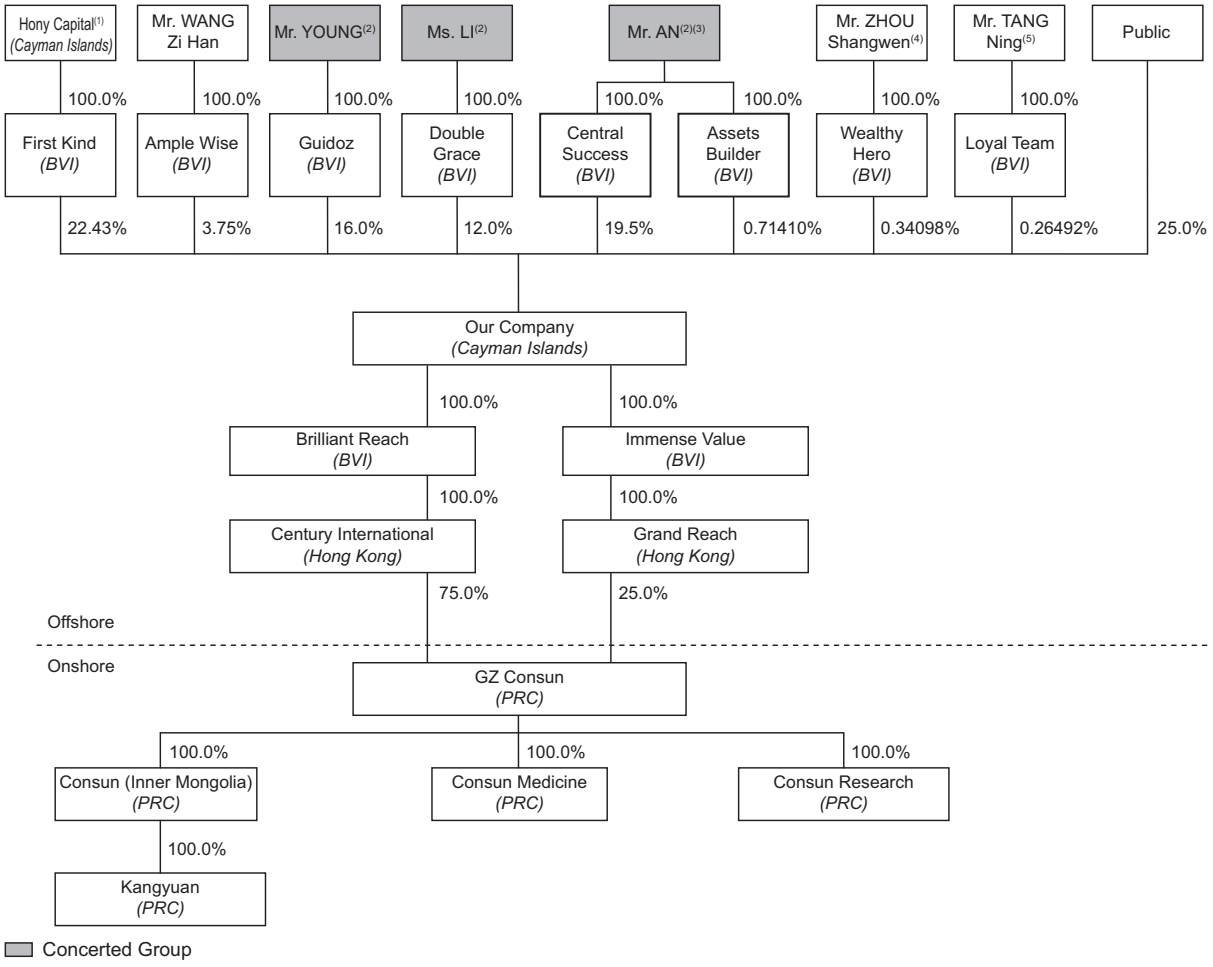
(2) Mr. YOUNG, Mr. AN and Ms. LI, as the Concerted Group, are considered to act as a group of Controlling Shareholders for the purpose of the Listing Rules. Further information is set out in the paragraph headed "Concerted Group of Controlling Shareholders" above in this section.

(3) The entire issued share capital of Assets Builder is held by Mr. AN. Only 18.8324% equity interest in Assets Builder is beneficially owned by Mr. AN. The remaining interests in Assets Builder are held by Mr. AN as a trustee for 17 employees or ex-employees of GZ Consun.

(4) The entire issued share capital of Wealthy Hero is held by Mr. ZHOU Shangwen (our senior management). Only 9.4654% equity interest in Wealthy Hero is beneficially owned by Mr. ZHOU Shangwen. The remaining interests in Wealthy Hero are held by Mr. ZHOU Shangwen as a trustee for 13 employees or ex-employees of GZ Consun.

(5) The entire issued share capital of Loyal Team is held by Mr. TANG Ning (our senior management) as a trustee for 15 employees or ex-employees of GZ Consun.

The following chart sets forth our shareholding structure immediately following completion of the Global Offering and Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme):



Notes:

(1) Hony Capital is controlled by its sole general partner, Hony Capital Fund III GP, L.P. Hony Capital Fund III GP, L.P. is in turn controlled by its sole general partner, Hony Capital Fund III GP Limited. Hony Capital Fund III GP Limited is wholly owned by Hony Capital Management Limited, which is in turn owned as to 20.0% by Legend Holdings Limited (through its wholly-owned subsidiary, Right Lane Limited) and 80.0% by Mr. John Huan ZHAO (through Hony Managing Partners Limited, a company wholly owned by him). Legend Holdings Limited is ultimately owned as to 36.0% by the Chinese Academy of Sciences (whose interests in Legend Holdings Limited are held through its wholly-owned subsidiary, Chinese Academy of Sciences Holdings Co., Ltd.), 24.0% by Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership, 20.0% by China Oceanwide Holdings Group Co. Ltd., 8.9% by Beijing Lian Heng Yong Xin Investment Center Limited Partnership, 3.4% by Mr. LIU Chuanzhi, 2.4% by Mr. ZHU Linan, 1.8% by Mr. NING Min, 1.5% by Mr. HUANG Shaokang, 1.0% by Mr. CHEN Shaopeng and 1.0% by Mr. TANG Xudong.

(2) Mr. YOUNG, Mr. AN and Ms. LI, as the Concerted Group, are considered to act as a group of controlling shareholders for the purpose of the Listing Rules. Further information is set out in the paragraph headed "Concerted Group of Controlling Shareholders" above in this section.

(3) The entire issued share capital of Assets Builder is held by Mr. AN. Only 18.8324% equity interest in Assets Builder is beneficially owned by Mr. AN. The remaining interests in Assets Builder are held by Mr. AN as a trustee for 17 employees or ex-employees of GZ Consun.

(4) The entire issued share capital of Wealthy Hero is held by Mr. ZHOU Shangwen (our senior management). Only 9.4654% equity interest in Wealthy Hero is beneficially owned by Mr. ZHOU Shangwen. The remaining interests in Wealthy Hero are held by Mr. ZHOU Shangwen as a trustee for 13 employees or ex-employees of GZ Consun.

(5) The entire issued share capital of Loyal Team is held by Mr. TANG Ning (our senior management) as a trustee for 15 employees or ex-employees of GZ Consun.

THE RULES ON THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

Pursuant to the M&A Rules, where a domestic individual person intends to take over his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of the Ministry of Commerce of the PRC; and the M&A Rules require an offshore special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange. As confirmed by our PRC Legal Advisers, as GZ Consun was established as a foreign-invested enterprise before 8 September 2006, the share transfers regarding the equity interests of GZ Consun as described in this section do not constitute a "takeover of a domestic enterprise" under Article 2 of the M&A Rules. On this basis, the M&A Rules do not apply to the acquisitions above or to the Global Offering.

SAFE REGISTRATION

SAFE Notice No. 75 requires PRC residents to register with the local SAFE branch before establishing or controlling any company outside of PRC for the purpose of capital financing with assets or equities of PRC companies, referred to in the SAFE Notice No. 75 as offshore special purpose companies.

As confirmed by our PRC Legal Advisers, as our Company is not an offshore special purpose company established or controlled by PRC residents, and there is no round-trip investment involved, our Shareholders and ultimate beneficial owners are not subject to the foreign exchange registration process of overseas investments under the SAFE Notice No. 75.

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. According to SMERI Report, our key product, uremic clearance granule, is a leading modern Chinese medicine for treating kidney disease in the PRC. It has consistently ranked first in the market of oral modern Chinese medicines for kidney disease in the PRC from 2008 to 2012 in terms of retail sales, commanding a market share of 24.1% in 2012. It has also consistently ranked among the top three in the market of kidney medicines in the PRC from 2008 to 2012 in terms of retail sales. Our other key product, gadopentetate dimeglumine injection, was ranked third in the market of MRI medical contrast medium in the PRC in 2012 in terms of retail sales, commanding a market share of 17.1%, according to SMERI Report.

We launched our uremic clearance granule in 1998, which was the first modern Chinese medicine for treating chronic kidney failure in the PRC. Our uremic clearance granule is listed in the National List of Essential Medicines and the National Medical Insurance Medicines Catalogue, and benefits from the Provisional Measures on the Administration of the National List of Essential Medicines (國家基本藥物目錄管理辦法(暫行)) and Provisional Measures for the Administration of the Scope of Basic Medical Insurance Coverage for Pharmaceutical Products for Urban Workers (城鎮職工基本醫療保險用藥範圍管理暫行辦法), respectively. The production technique of our uremic clearance granule was patented by SIPO in October 2006 and our uremic clearance granule has been recognised as a class two national Chinese medicine protection type by the CFDA from December 2000 to December 2014 in accordance with the Chinese Medicine Type Protection Law (中藥品種保護條例) promulgated by the State Council of the PRC. Uremic clearance granule is based on the traditional Chinese medicine theory that promotes integrality and syndrome differentiation in order to treat chronic kidney failure. It was proved to have the effect of slowing down the worsening of chronic kidney failure, postponing the need to start the dialysis process and reducing the risk of complications. For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, sales of uremic clearance granule represented approximately 76.5%, 77.4%, 75.9% and 74.9% of our turnover, respectively.

Our other key product, gadopentetate dimeglumine injection, is a medical contrast medium used for magnetic resonance image formation. We were the first pharmaceutical company which obtained the New Medicine Certificate and production approval for a MRI medical contrast medium in the PRC to fill the gap in market of the MRI medical contrast medium in the PRC at the time. Our gadopentetate dimeglumine injection has been registered by CFDA as a class two new chemical medicine under the Registration Measures. Since 1998, our gadopentetate dimeglumine injection has increased the contrast definition of MRI and the rate of nidus detection. For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, sales of gadopentetate dimeglumine injection represented approximately 14.3%, 13.3%, 14.3% and 17.7% of our turnover, respectively.

In addition to our kidney medicines and medical contrast medium, we also offer a wide range of other medicines, including both prescription medicines and OTC medicines. These medicines are used for treating various diseases, including malnutrition and hypoproteinemia, chronic anemia, and seasonal or perennial allergic rhinitis. 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. Two of the 11 medicines, including our uremic clearance granule, were also listed in the National List of Essential Medicines and six of the 11 medicines, including uremic clearance granule and gadopentetate dimeglumine injection, were listed in the National Medical Insurance Medicines Catalogue. In addition, our uremic clearance granule was also listed in the Military Reasonable Medical Treatment Medicines Catalogue.

We have established our own research and development laboratory for kidney medicines in 2006, which was awarded by the government of Inner Mongolia autonomous region as a "Research and Development Centre of Enterprises in Inner Mongolia Autonomous Region" (內蒙古自治區企業研發中心) in November 2012. Our dedicated in-house research and development team comprised 60 research personnel as of 30 June 2013, of whom four hold doctorate degree or master's degree in pharmaceutical related areas, and more than half of our research personnel have over ten years of experience in the PRC pharmaceutical industry. We have also formed collaborations with various research institutions, hospitals and universities in the PRC to jointly develop new pharmaceutical products, applications of existing products, product formulation, production methods or techniques and benefit from their expertise, skills, resources and knowledge in these areas. As of the Latest Practicable Date, we had seven product candidates in various stages of development.

Leveraging on our research and development capabilities and the academic background of members of our marketing team, we adopt a marketing strategy which focuses on sharing of specialist knowledge with medical practitioners. By sharing specialist knowledge and information, we aim to enrich and update medical practitioners' knowledge of our specialist medicines and other information on relevant therapeutic areas. As of 30 June 2013, our marketing team comprised over 550 dedicated marketing representatives, the majority of whom have professional background in medical, pharmaceutical, marketing or other related areas. As of 30 June 2013, we had established 31 liaison points covering 30 provinces, autonomous regions, and municipality cities across the PRC. Such liaison points enable our marketing team to provide immediate marketing services and support to our customers. As pharmaceutical products generally require a higher level of customer knowledge than ordinary consumer goods, and in particular, as our key products are prescription medicines, we consider that sharing specialist knowledge and information of our medicines with medical practitioners in hospitals, medical institutions and pharmacies and collecting their feedbacks are essential in promoting our products. By doing so, we aim to enrich and update medical practitioners' knowledge of our specialist medicines and other information on relevant therapeutic areas. Through such interaction, we directly market and promote our kidney medicines and medical contrast medium to hospitals, medical institutions and pharmacies. In addition, to achieve deep market penetration in a more effective manner, we engage Independent Third Party distributors to distribute our kidney medicines and medical contrast medium. These third party distributors are GSP certified corporations and have extensive geographic distribution network with strong logistics support. They are only responsible for reselling and distributing our products to hospitals, medical institutions and pharmacies either directly or indirectly through other sub-distributors. As of 30 June 2013, we had 175 third party distributors. This distribution arrangement enables us to focus our resources in research and development, manufacturing, and marketing of our products, as we do not need to maintain an extensive GSP certified distribution network with logistics coverage at our own expenses.

Our comprehensive production facilities comprised 13 production lines of injection, granules, tablets, pills, capsules and oral solution, which enable us to enjoy production flexibility by allowing us to produce pharmaceutical products in different forms to meet the market demands. Our production lines are housed in three self-owned production plants located in Guangzhou, Guangdong province and Tongliao, Inner Mongolia autonomous region, all of which have obtained GMP certifications. Our two production plants in Tongliao, Inner Mongolia autonomous region, are strategically located to benefit from the close proximity of the plantation bases of the key Chinese herbs for our production in order to facilitate the delivery and supply of raw materials and thereby reducing the production cost. We intend to expand our production capacity and enhance our production capability according to market demand.

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. As a result, these products cannot be sold above their prescribed 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.

Our turnover experienced consistent growth during the Track Record Period mainly due to the increased sales of our uremic clearance granule and gadopentetate dimeglumine injection. For the three years ended 31 December 2010, 2011 and 2012, our turnover were RMB303.7 million, RMB389.3 million, 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%.

COMPETITIVE STRENGTHS

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

Leading position in the market of oral modern Chinese medicines for kidney disease in the PRC

According to SMERI Report, in 2010 the awareness rate of chronic kidney disease was only 12.5%. Chronic kidney disease is divided into five stages of increasing severity. Patients with chronic kidney disease at the second to fifth stages are classified as having chronic kidney failure. Those patients whose chronic kidney disease are at the fifth stage normally require dialysis therapy or kidney transplantation. It was estimated that during 2007 to 2010 there were over 56.8 million people in the PRC who had chronic kidney disease at the second to fifth stages. According to SMERI Report, the market size of modern Chinese medicines for kidney disease in the PRC was RMB2.6 billion in 2012 and is estimated at RMB5.9 billion in 2017, and the market size of oral modern Chinese medicines for kidney disease in the PRC was 2.0 billion in 2012 and is estimated at RMB4.5 billion in 2017.

Our uremic clearance granule was the first modern Chinese medicine for treating chronic kidney failure in the PRC. A solid patient base for our uremic clearance granule was established throughout the 15 years of market use and 25 years of clinical studies. The production technique of our uremic clearance granule was patented by the SIPO in October 2006 and our uremic clearance granule has been recognised as a class two national Chinese medicine protection type by the CFDA from December 2000 to December 2014 in accordance with the Chinese Medicine Type Protection Law promulgated by the State Council of the PRC. 25 years of clinical studies have proven that our uremic clearance granule is able to lower blood serum creatinine, ureanitrogen, urinary protein and albumin levels, improve lipid metabolism disorders and lower glycosylation end products. It is able to clear oxygen free radicals, significantly increase the number of red blood cells, improve renal anemia, increase blood calcium level, lower blood phosphorus level, and improve calcium and phosphorus metabolism disorders. Our uremic clearance granule can

effectively protect the residual renal function, thereby slowing down the worsening of chronic kidney failure, postponing the need to start the dialysis process and reducing the risk of complications. Over the years, the positive effects of uremic clearance granule were presented in over 250 articles in different domestic and international medical journals and science magazines, including the Chinese Journal of Nephrology (中華腎臟病雜誌), the Chinese Journal of Integrated Traditional and Western Nephrology (中國中西醫結合腎病雜誌), the Journal of Cellular Biochemistry and the Journal of Ethno-pharmacology.

Our uremic clearance granule is a leading modern Chinese medicine for treating kidney disease in the PRC. It has consistently ranked first in the market of oral modern Chinese medicines for kidney disease in the PRC from 2008 to 2012 in terms of retail sales, commanding a market share of 24.1% in 2012, according to SMERI Report. It has also consistently ranked among the top three in the market of kidney medicines in the PRC from 2008 to 2012 in terms of retail sales.

To consolidate our leading position in the market of oral modern Chinese medicines for kidney disease in the PRC, we continue to expand our portfolio of kidney medicines. In 2009, we launched the kidney repair and edema alleviation granule, which is a modern Chinese medicine mainly used for treating chronic glomerulonephritis and reducing proteinuria. Our kidney repair and edema alleviation granule can rejuvenate the spleen and improve the functions of kidney by reducing proteinuria and edema caused by the deficiency of the spleen. Since its launch in 2009, the sales of kidney repair and edema alleviation granule has experienced rapid growth in turnover from RMB0.6 million in 2010 to RMB5.0 million in 2012, representing a CAGR of 196.3% over the period. For the six months ended 30 June 2012 and 2013, turnover from such product were RMB1.8 million and RMB4.0 million, respectively, representing an increase of 117.9%. We have also increased our research and development efforts on new kidney medicines.

We believe that we are well positioned to benefit from the rapid growth across the market of oral modern Chinese medicines for kidney disease in the PRC and our market leadership can enhance our ability to increase our market share, as well as facilitate our efforts to further consolidate our leading position, in this market. We expect our products to continue to be the leading products in the market of oral modern Chinese medicines for kidney disease in the PRC.

Strong marketing capabilities with extensive national sales network

We have established our own highly-qualified marketing team which focuses on the sharing of specialist knowledge with medical practitioners. By sharing specialist knowledge and information, we aim to enrich and update medical practitioners' knowledge of our specialist medicines and other information on relevant therapeutic areas. In order to support our marketing strategy which focuses on the sharing of specialist knowledge, members of our marketing team are highly qualified and are capable of handling academic exchange with medical practitioners. Our marketing team is mainly divided into two groups according to our two major product categories, kidney medicines and medical contrast medium. Under each group, members are assigned different regions so that our marketing representatives can focus on the marketing and promotion of a particular product category in a designated target region with the benefit of local market knowledge and familiarity with our products. As of 30 June 2013, our marketing team comprised over 550 dedicated marketing representatives led by a director (總監). All members of our marketing team are our full time employees, with a majority holding professional qualifications in medical, pharmaceutical, marketing or other related areas.

As of 30 June 2013, we have established 31 liaison points covering 30 provinces, autonomous regions and municipality cities across the PRC. Such liaison points enable our marketing team to provide immediate marketing services and support to our customers.

In addition to the efforts of our marketing team, we also engage third party distributors who have extensive sales network to facilitate the effective distribution of our products. Further, to assist our third party distributors to extend their distribution coverage, we also try to locate for them sub-distributors that have established distribution network covering more remote or less developed regions beyond the geographical coverage of our third party distributors. As of 30 June 2013, we had 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 municipality cities across the PRC.

With our direct and close relationship with hospitals, medical institutions and pharmacies, supported by our third party distributors' extensive sales network across the PRC, our turnover increased substantially during the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013.

Strong research and development capabilities with the ability to realise commercialisation

As of 30 June 2013, we have a dedicated research and development team comprised 60 research personnel led by Professor ZHU Quan. Professor ZHU is our executive Director and chief scientist of GZ Consun, and is a professor and supervisor in the doctor of philosophy programme in Macau University of Science and Technology, a former member of the Science and Technology Committee of the Ministry of Education (教育部科學技術委員會), the former director of National Standardization Pharmacological Laboratory of Chinese Medicines (國家規範化中藥藥理實驗室) at Nanjing University of Chinese Medicine and a former expert for national medicines assessment (國家藥品評審專家). Professor ZHU has extensive experience in the research and development of medicines. In addition, four members of our research and development team hold doctorate degree or master's degree in pharmaceutical related areas, and more than half of our research personnel have over ten years of experience in the PRC pharmaceutical industry. In recognition of our proven research and development capability, the governmental authorities in the PRC have granted us financial subsidies to fund our research and development projects.

We adopt high throughput screening to analyse large amounts of research data in multi-levels with the aim of developing medicines that are effective, safe and with distinctive characteristics. To support our research and development, we utilise innovative research technology in the analysis of the membrane immobilised chromatography (細胞膜固相色譜) to analyse essential basis in Chinese medicines or natural medicines, adopt ultra filtration and reverse osmosis (超濾及反滲透) group to segregate, extract and concentrate ingredients, utilise microwave vacuum drying technology to reduce the drying time in medicines manufacturing process, minimise the loss of potency of the active ingredients in the medicines and the consumption of energy, and use microencapsulation technology to increase the stability of medicines.

We also have advanced testing and analytical equipments and research and development systems imported from overseas, including the cell imaging system that comprises the live cell workstation and other cyte-study system, the liquid and gas chemical analysis system that comprises the LC-MAS, the molecular biology research system that comprises the fluorescence microplate reader, and the modern medicines preparation technology that comprises ultrafiltration and reverse osmosis group and micro-pill machine.

As of the Latest Practicable Date, we had nine patents granted and one patent application pending registration by the SIPO. In addition, we had three patent applications pending approval in each of the United States by Europe and India. We had three patents granted in Hong Kong, one patent granted and two patent applications pending approval in Japan, and two patents granted

and one patent application pending approval in Korea. The subject matters of all of our overseas patent applications are related to compounds discovered during the refinement and re-development of our uremic clearance granule, which may be further developed to form the basis of new medicines in the future.

We have also established our own research and development laboratory for kidney medicines in 2006, which was awarded by the government of Inner Mongolia autonomous region as a "Research and Development Centre of Enterprises in Inner Mongolia Autonomous Region" in November 2012. Utilising our resources in this research centre, we had successfully developed and launched our kidney repair and edema alleviation granule in 2009. We have also formed collaborations with various research institutions, hospitals and universities, such as Guangzhou University of Chinese Medicine, to form a research and development structure. We believe that collaboration with external research institutions, hospitals and universities enables us to develop more products to be launched to the market in a timely manner and engage in research and development activities in a flexible and cost efficient manner.

Leveraging on our strong research and development capabilities, we have a proven track record in bringing product candidates from our successful research and development projects into commercially viable products. For example, we obtained the patent of kidney repair and edema alleviation granule in the PRC in 2009 and commenced production of this medicine in the same year. We adopt an efficient research and development strategy focusing on the development of specialist kidney medicines and medical contrast medium, based on our previous extensive clinical studies conducted and solid experience gained during the development of our existing products. Such research and development strategy aims to address major unmet medical needs of patients, contribute to the health improvement of the public, capture a significant portion of market share in new markets, enrich our product offering and allocate our resources efficiently to keep our research and development spending at an optimal level. As of the Latest Practicable Date, we had one product candidate pending the production approval, two product candidates in pre-clinical research stage and four product candidates in trial stage. We expect these product candidates to be registered by CFDA as either class six new Chinese medicines or class six generic medicines under the Registration Measures.

Comprehensive production facilities in strategically located production plants with stringent quality control

Our comprehensive production facilities comprised 13 production lines of injection, granules, tablets, pills, capsules and oral solution, which enable us to enjoy production flexibility by allowing us to produce pharmaceutical products in different forms to meet the market demands. Our production lines are housed in three self-owned production plants located in Guangzhou, Guangdong province and Tongliao, Inner Mongolia autonomous region, all of which have obtained GMP certifications. Our two production plants in Tongliao, Inner Mongolia autonomous region, are strategically located to benefit from the close proximity of the plantation bases of the key Chinese herbs for our production, including astragalus mongholicus (黃芪), in order to facilitate the delivery and supply of raw materials and thereby reducing the production cost. Two of our production bases are located in the Tongliao Bio-pharmaceutical Advanced Technology Industrial Park (通遼市生物醫藥高新技術特色工業產業化基地) which was recognised as the Advanced Technology Industrial Park in Mongolia autonomous region (內蒙古自治區高新技術特色工業產業化基地) for 2011 by Science and Technology Bureau of Inner Mongolia autonomous region (內蒙古自治區科學技術廳) in December 2011.

In addition to our comprehensive production facilities, our production is also supported by our stringent quality control system which meets the GMP standards. We place strong emphasis on the quality of our products as we believe that a good quality control system translates into customers' confidence. Stringent quality control measures are built into various stages of our production process, from procurement of raw materials, production, to inspection of finished products, to ensure that our pharmaceutical products meet the quality standards required by our customers and the relevant governing authorities. Our efforts on quality control is also recognised by the industry. We were the first pharmaceutical company which obtained the New Medicine Certificate and production approval for a MRI medical contrast medium in the PRC. Further, the CFDA made reference to our then quality standards in relation to gadopentetate dimeglumine injection when it formulated the national quality standards that apply to all gadopentetate dimeglumine injections manufactured by pharmaceutical manufacturers in the PRC.

Experienced and committed management team

Our management team combines extensive experience at several levels of the pharmaceutical industry value chain, from research and development to manufacturing and to marketing. Our chairman and executive Director, Mr. AN, has over 10 years of experience in medical education and has engaged in the operation of related business for approximately 17 years. Our chief executive officer and executive Director, Ms. LI, has extensive experience in corporate strategies, operation management and marketing, and has engaged in medical education, research and development of pharmaceutical products and operation management for over 23 years where she gained deep knowledge of the pharmaceutical industry. She has been with our Group for over 15 years since 1998 and she leads a core management team comprising Professor ZHU Quan, our executive Director and the chief scientist of GZ Consun, Mr. TANG Ning and Mr. ZHOU Shangwen, both are the vice presidents of GZ Consun and four other senior management. All members of the management team hold advanced degrees from national academic institutions, have extensive knowledge and professional experience in areas such as business administration, medical science, or accountancy and have served our Group for over five years. We believe our management team will continue to implement our strategies for sustainable growth in the PRC pharmaceutical industry.

OUR STRATEGIES

We will continue to focus on the development of specialist medicines, especially kidney medicines and medical contrast medium, and continue to manufacture and sell other medicines to supplement our mainstream specialist medicines. Our goal is to consolidate our leading position in the market of oral modern Chinese medicines for kidney disease in the PRC which has a high growth potential given the low awareness rate of chronic kidney disease in the PRC, and capture more market share in the market of medical contrast medium in the PRC. To achieve this goal, we plan to implement the following strategies:

Continue to enrich our product offering

To increase our competitiveness and sustain our growth, we will continue to enrich our product offering structure by introducing new products to the market. To supplement our uremic clearance granule and kidney repair and edema alleviation granule, which was launched in 1998 and 2009, respectively, for the kidney disease market, we have initiated a research and development project of a new pharmaceutical product for treating diabetic nephropathy in its early stage during the refinement and re-development of our uremic clearance granule. The development of this pharmaceutical product is currently at pre-clinical research stage and is intended to be developed in accordance with the standards of US Food and Drug Administration

and the European Union in relation to natural herbal medicines. We expect it to be registered by CFDA as a class six new Chinese medicine under the Registration Measures. We expect to launch this new product commercially before 2020. We are also in the process of developing another pharmaceutical product which is intended to be used for treating nephrotic syndrome (腎病綜合症) and expected to be launched in 2021.

Similarly, to supplement our gadopentetate dimeglumine injection which was launched in 1998 for the medical contrast medium market, we are in the process of developing another MRI medical contrast medium for enhancing the definition and contrast of magnetic resonance image formation of brain, spinal cord, and the magnetic resonance angiogram of blood vessels, which is expected to be launched in 2017. In addition to the current market of MRI medical contrast medium, we also plan to enter into the CT medical contrast medium market to enrich our product offering and to further utilise our existing resources on marketing and customer base. We are in the process of developing three CT medical contrast mediums which are expected to be launched in 2016.

Further, we also plan 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 (腸易激綜合症). We expect to launch such pharmaceutical product in the second half of 2014. Given that irritable bowel syndrome is a common disease, we expect there will be high market demand and potential for this pharmaceutical product.

We may also acquire or co-operate with other pharmaceutical manufacturers which have a sizeable production capability in order to expand our market share in the market of other medicines.

We aim to launch products which meet the up-to-date demand of the fast-growing pharmaceutical market in order to remain competitive and achieve continuous and sustainable growth in the future.

Extend our marketing and distribution network and strengthen our marketing efforts

We intend to further increase our market share in the market of oral modern Chinese medicines for kidney disease and the market of medical contrast medium in the PRC by increasing the purchase amount of our existing customers and our coverage of hospitals in the PRC.

We will recruit additional marketing staff and provide more training to existing marketing staff. We will also promote medicines to our existing customers and extend our marketing efforts over those hospitals, medical institutions and pharmacies which are not currently purchasing our products. We also intend to organise conferences and seminars in areas where we aim to increase our hospital coverage.

We will continue to adopt a marketing strategy which focuses on the sharing of specialist knowledge with medical practitioners. Through our co-operation with professional academic bodies such as Chinese Medical Association (中華醫學會) and Chinese Medical Doctor Association (中國醫師協會), we will continue to offer continuing education courses for medical practitioners at all levels in the areas of kidney disease and medical contrast medium. We will continue to sponsor and attend national and regional academic conferences and organise various academic conferences at which renowned scholars are invited to give presentations on the functions of our specialist pharmaceutical products and exchange ideas on future development in the relevant therapeutic areas. We will also continue to publish the results of some of our research projects and place advertisements in professional magazines and journals which are distributed among medical practitioners to further promote our products. We aim to further enhance medical practitioners' awareness of our products by strengthening our marketing efforts.

We will also improve our recruitment process for marketing professionals, our marketing management and our incentive scheme for our marketing team and will continue to improve our marketing plans and budget management systems.

Further strengthen our research and development capabilities

Our research and development efforts will continue to focus on developing specialist kidney medicines and medical contrast mediums. We will continue to focus on the refinement and re-development of uremic clearance granule. The direction of our research and development focus will be driven by our aim to consolidate our leading position in the market of oral modern Chinese medicines for kidney disease in the PRC, to contribute to the health improvement of the public and to capture a significant portion of market share in new markets. We also intend to accelerate the process of research and development and application for approval and registration of new products.

We intend to continue enhancing our research and development capabilities by recruiting professionals who have at least five years of experience in research and development in the pharmaceutical industry. We also intend to continue to purchase advanced research and development equipment to increase the scale and standards of our research and development centre.

We will continue to collaborate with research institutions, hospitals and universities to develop new pharmaceutical products, applications of existing products, product formulation, production methods or techniques and benefit from their expertise, skills, resources and knowledge in these areas. We will also continue to seek collaboration with other renowned research partners to co-operate in research and development projects.

Continue to increase our brand recognition

We will continue to put our emphasis on increasing the recognition of our brand "Consun 康臣" (and 康臣 CONSUN) among medical practitioners as we believe that brand recognition and corporate image are key factors in the customers' purchasing decision.

As of the Latest Practicable Date, we had registered 68 trademarks in the PRC, five trademarks in Hong Kong and one trademark in each of the Philippines, Thailand, Vietnam, Indonesia, Singapore and Korea, including , which was recognised as "Guangzhou Well-Known Brand" by the Guangzhou branch of SAIC in 2011, and 康臣 CONSUN, which was recognised as "Guangdong Well-Known Brand" by the Guangdong branch of SAIC in 2012. We aim to associate our brand with contribution to the health improvement of the public, and make "Consun 康臣" (and 康臣 CONSUN) the leading brand in both the market of oral modern Chinese medicines for kidney disease and the market of medical contrast medium in the PRC. To achieve this, we intend to co-operate with academic-leading hospitals on research and development projects and clinical studies, and findings and results of such studies will be published in national and international medical journals. Apart from increasing advertisements in medical journals, we intend to launch television commercials to promote our products and our brand. We will continue to publish our own magazine 康臣健康園 (Consun Health Garden) with information such as kidney disease prevention and control for distribution to our end-users. We will explore opportunities to co-operate with overseas pharmaceutical manufacturers on licensing of their products in the PRC market or research and development matters.

In addition, we believe that our corporate image can be enhanced by undertaking social responsibility. We will continue to organise internal fund-raising activities for those affected by natural disasters, like what we did after the earthquake in Sichuan.

Expand our business through selective strategic acquisitions, investments or partnerships

We believe that acquisitions will provide a more expedient way for us to significantly expand our business. We will consider acquiring enterprises with traditional Chinese medicines planting capability to further enhance our vertically integrated structure that already includes research, manufacturing and marketing of medicines. We will consider acquiring enterprises that focus on oral modern Chinese medicines for kidney disease or medical contrast medium to supplement and enrich our existing product offering and product candidates under research and development, to strengthen our marketing capability and to increase our market coverage.

We will also consider suitable investments and partnerships where opportunities may arise, including establishing alliances and joint ventures with other pharmaceutical manufacturers to further strengthen and expand our core business. By leveraging our management and operational resources and experience, we believe we can effectively integrate acquired businesses into our business and maximise synergies and other benefits from acquisitions, investments or partnerships.

Continue to cultivate and recruit talented employees who are essential to our businesses

The contribution of our experienced senior management and professional employees is critical to our success. We plan to continue to attract and train talented employees, including those in corporate management, research and development, marketing, business development, manufacturing and quality control. We intend to continue to provide a series of training programmes for multiple levels of our employees, from senior management team to newly recruited personnel, to help them develop their working ability and to enhance their working efficiency. We intend to continue to provide our management team, research and development team, marketing team and other key employees, with compensation packages that we believe to be competitive in our industry. With a continued focus on the development of our human resources, we believe that we will be successful in retaining our key employees, enhancing their work ability and experience and continue to attract more talented individuals.

PRODUCTS

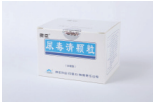
Our pharmaceutical products are divided into three product categories according to their therapeutic areas, namely kidney medicines, medical contrast medium and other medicines. Prior to the acquisition of Kangyuan, GZ Consun originally held the production approvals for six medicines, including four kidney medicines, one medical contrast medium and one other medicine. We acquired the production approvals of 78 other medicines when we first acquired 63.3% equity interest in Kangyuan in 2009, and we continued to manufacture and sell 17 of them during the Track Record Period. As these other medicines generally have lower gross profit margins, we have gradually ceased production and sale of 12 of these medicines since March 2010 and have ceased selling all these 12 medicines by June 2013. For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, turnover from these 12 medicines were RMB5.7 million, RMB4.2 million, RMB3.1 million and RMB0.1 million, respectively, representing approximately 1.9%, 1.1%, 0.7% and 0.0% of our turnover for the same periods, respectively. Going forward, we will continue to focus our production and marketing resources on our major products, including uremic clearance granule and gadopentetate dimeglumine injection, which we believe we have competitive advantages in the relevant markets and enjoy relatively higher gross profit margins, so that a stable revenue can be generated to support our business expansion and our research and development activities. As the cost of maintaining the production approvals of the 73 medicines which we do not currently manufacture and sell is minimal, we will continue to maintain such production approvals.

The following table shows our current pharmaceutical products under each product category as of the Latest Practicable Date:

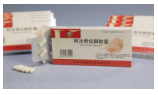
Product categories	Total number of products
Kidney medicines	4
Medical contrast medium	1
Other medicines	6
Total	11

As of the Latest Practicable Date, we had production approvals for 84 medicines including four kidney medicines, one medical contrast medium and 79 other medicines. Among these 84 medicines, 29 were included in the National List of Essential Medicines, 61 were listed in the National Medical Insurance Medicines Catalogue and 60 were subject to retail price controls imposed by the PRC government in the form of maximum retail price as of the Latest Practicable Date. Among 11 of our current pharmaceutical products, two, including our uremic clearance granule, were listed in the National List of Essential Medicines and six, including our uremic clearance granule and gadopentetate dimeglumine injection, were listed in the National Medical Insurance Medicine Catalogue and five were subject to retail price controls imposed by the PRC government.

The following table sets out the details of our current pharmaceutical products:

Product name	Intended treatment	Year of launch	OTC/ prescription medicines	Expiration date of production approval	Patent protection and expiration	National List of Essential Medicines	National Medical Insurance Medicines Catalogue	Subject to retail price controls imposed by PRC government
Kidney medicines								
Uremic clearance granule (尿毒清顆粒) 	For chronic kidney failure	1998	Prescription medicine	July 2017	March 2024	Yes	Yes	Yes
Kidney repair and edema alleviation granule (益腎化濕顆粒) 	For chronic glomerulonephritis	2009	Prescription medicine	March 2014[1]	May 2026	No	No	No

Product name	Intended treatment	Year of launch	OTC/ prescription medicines	Expiration date of production approval	Patent protection and expiration	National List of Essential Medicines	National Medical Insurance Medicines Catalogue	Subject to retail price controls imposed by PRC government
Renal supplement and impotence cure oral solution (補腎填精口服液) 	For kidney degeneration	1997	Prescription medicine	August 2015	N/A	No	No	No
Jin-gang pill (金剛丸) 	For kidney deficiency	1997	Prescription medicine	May 2015	N/A	No	No	No
Medical contrast medium								
Gadopentetate dimeglumine injection (釓噴酸葡胺注射液) 	For magnetic resonance image formation	1998	Prescription medicine	May 2015	N/A	No	Yes	Yes
Other medicines								
Compound amino acid injection (18AA-V) (複方氨基酸注射液(18AA-V)) 	For malnutrition and hypoproteinemia	(2)	Prescription medicine	December 2015	N/A	No	Yes	Yes
Iron dextran oral solution (右旋糖酐鐵口服液) 	For chronic anemia and iron deficiency anemia	(2)	OTC	August 2015	N/A	No	No	No
Erythromycin estolate suspension (依託紅霉素混懸液) 	For mycoplasmal pneumonia, other pneumonia and urinary tract infection	(2)	Prescription medicine	April 2015	N/A	No	No	No

Product name	Intended treatment	Year of launch	OTC/ prescription medicines	Expiration date of production approval	Patent protection and expiration	National List of Essential Medicines	National Medical Insurance Medicines Catalogue	Subject to retail price controls imposed by PRC government
Cetirizine hydrochloride oral solution (鹽酸西替利嗪口服溶液) 	For seasonal or perennial allergic rhinitis, urticaria and itchy skin	2000	Prescription medicine	May 2015	N/A	No	Yes	No
Alfacalcidol capsule (阿法骨化醇膠囊) 	For chronic kidney insufficiency, osteoporosis or diseases due to vitamin D metabolic disorder	(2)	Prescription medicine	August 2015	N/A	Yes	Yes	Yes
Doxofylline and glucose injection (多索茶鹼葡萄糖注射液) 	For bronchus disease	(2)	Prescription medicine	December 2015	N/A	No	Yes	Yes

Notes:

(1) Production approval may be renewed at least six months prior to its expiration date upon re-examination by the relevant authority. In September 2013, we submitted the application for renewal of production approval of our kidney repair and edema alleviation granule to the relevant authority.

(2) The production approvals of these products are in the name of Kangyuan and they were launched prior to our acquisition of 63.3% equity interest in Kangyuan in October 2009.

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

Kidney medicines

We mainly engage in the research, manufacturing, marketing and sales of our kidney medicines. As of the Latest Practicable Date, we offered a portfolio of four kidney medicines with typical shelf life of one and a half to three years.

Oral modern Chinese medicines for kidney disease is a high growth market in the PRC. According to SMERI Report, the market size of oral modern Chinese medicines for kidney disease in the PRC was RMB2.0 billion in 2012, compared with RMB0.9 billion in 2008, representing an increase of 126.7% from 2008 to 2012. The market size of oral modern Chinese medicine for kidney disease in the PRC is estimated at RMB4.5 billion in 2017.

Below are details of our kidney medicines:

Uremic clearance granule (尿毒清顆粒)

Our key pharmaceutical product uremic clearance granule is a modern Chinese medicine and a prescription medicine developed on the basis of traditional Chinese medicine formula. It is manufactured in granule form and in two dosages, 75 grams and 90 grams, respectively. Its major ingredients are all Chinese herbs and include Chinese herb A, Chinese herb B, atractylodes macrocephala koidz (白朮), processed polygonum multiflorum root (制何首烏), poria cocos (茯苓), astragalus mongholicus (黃芪), the root of red-rooted, salvia (丹參), rheum officinale (大黃), and root bark of white mulberry (桑白皮). Chronic kidney disease is divided into five stages of increasing

severity. Patients with chronic kidney disease at the second to fifth stages are classified as having chronic kidney failure. Those patients whose chronic kidney disease are at the fifth stage normally require dialysis therapy and kidney transplantation. Currently there are no medicines available that can cure chronic kidney failure. All kidney medicines are aiming to slow down the worsening of chronic kidney failure. Our uremic clearance granule was the first modern Chinese medicine for treating chronic kidney failure in the PRC. It was also the first modern Chinese medicine in the PRC that can be used for treating azotemia, the early stage of chronic kidney failure or uremia. 25 years of clinical studies have proven that our uremic clearance granule is able to lower blood serum creatinine, ureanitrogen, urinary protein and albumin levels, improve lipid metabolism disorders and lower glycosylation end products. It is able to clear oxygen free radicals, significantly increase the number of red blood cells, improve renal anemia, increase blood calcium level, lower blood phosphorus level, and improve calcium and phosphorus metabolism disorders. Uremic clearance granule can effectively protect the residual renal function, thereby improving the conditions of patients with kidney disease, slowing down the worsening of chronic kidney failure, postponing the need to start the dialysis process and reducing the risk of complications.

We commenced production and sale of uremic clearance granule in 1998. Our uremic clearance granule has been listed in the National List of Essential Medicines since September 2012 and benefits from the Provisional Measures on the Administration of the National List of Essential Medicines, which requires hospitals and medical institutions to prescribe medicines listed in the National List of Essential Medicines. According to the regulations, government-run hospitals and medical institutions at community and county levels can only prescribe medicines in the National List of Essential Medicines, while other hospitals and medical institutions are required to prescribe a certain percentage of medicines on the list in their overall prescription. In addition, according to the Opinions of the Central Committee of the Communist Party of China and the State Council on Deeping the Reform of Medicine and Health System (中共中央、國務院關於深化醫藥衛生體制改革的意見), patients who are eligible participants in the basic medical insurance programme (基本醫療保險制度) are entitled to full or partial reimbursement of their purchase costs of medicines listed in the National List of Essential Medicines, the reimbursement rate of which is higher than those for medicines not on the list. Although our uremic clearance granule was listed on the National List of Essential Medicines in September 2012, it only took effect in May 2013. Therefore, the benefits of being listed in the National List of Essential Medicines have not yet been fully reflected in the sales of our uremic clearance granule during the Track Record Period.

As advised by our PRC Legal Advisers, the National List of Essential Medicines is generally subject to review and adjustment every three years. In practice, once a medicine is included in such list, it can usually remain listed unless: (i) its quality and inspection standards are cancelled; (ii) its production approval is revoked; (iii) it causes serious adverse reactions; (iv) it may be replaced by other alternative products which are more cost-effective or with lower risks; or (v) the relevant government authorities consider it necessary to be removed. According to SMERI Report, the implementation of the essential medicine programme has been one of the key targets of the PRC government under the Twelfth Five-Year Plan for National Economic and Social Development of the PRC, which resulted in the addition of medicines to the National List of Essential Medicines in 2012. Our Directors believe that going forward, our uremic clearance granule can remain listed in the National List of Essential Medicines following such government initiatives and being so listed is an important milestone for the sustainable growth of our uremic clearance granule, as our uremic clearance granule becomes more appealing to hospitals, medical institutions and patients and more competitive in terms of pricing than other medicines not in the National List of Essential Medicines.

As of the Latest Practicable Date, our uremic clearance granule was also listed in the National Medical Insurance Medicines Catalogue and the Military Reasonable Medical Treatment Medicines Catalogue. As advised by our PRC Legal Advisers, patients who are eligible participants in the governmental basic medical insurance programme are entitled to full or partial reimbursement of their purchase costs of medicines listed in the National Medical Insurance Medicines Catalogue. The National Medical Insurance Medicines Catalogue is generally subject to review and adjustment every two years. However, once a medicine is listed, it can usually remain listed unless: (i) its production approval or import registration (in case of imported medicines) is revoked; (ii) its production, sales and usage are prohibited by the government authorities; (iii) its manufacturer violates the relevant laws in the course of production and sales; or (iv) its manufacturer cheats during examination and evaluation. Our Directors believe that going forward, our uremic clearance granule can remain in the National Medical Insurance Medicines Catalogue. Please also refer to the section headed "RISK FACTORS – RISKS RELATING TO OUR BUSINESS – There is no assurance that our products will continue to be, or new products developed by us will be, listed in the National List of Essential Medicines or the National Medical Insurance Medicines Catalogue or recognised as a national Chinese medicine protection type by the CFDA" in this prospectus for more details.

In addition, the production technique of our uremic clearance granule was patented by SIPO in October 2006 and our uremic clearance granule has been recognised as a class two national Chinese medicine protection type by the CFDA from December 2000 to December 2014 in accordance with the Chinese Medicine Type Protection Law promulgated by the State Council of the PRC, which was renewed once after our submission of renewal application in 2007. As advised by our PRC Legal Advisers, Chinese medicines can only be recognised as class two national Chinese medicine protection type if they fulfill certain stringent criteria, including having remarkable and positive therapeutic effects. During the protection period, no other person or entity is allowed to manufacture such Chinese medicines unless: (i) the relevant medicine is in shortage; and (ii) the manufacture of such medicine has been approved by the relevant government authorities, subject to payment of a licensing fee to the enterprise who has obtained the relevant certificate of the relevant protected Chinese medicine. To the best knowledge of our Directors, there has been no shortage of our uremic clearance granule in the market, and no person or entity has been approved by the relevant government authorities to manufacture our uremic clearance granule during the Track Record Period. Our Directors believe that being recognised as a class two national Chinese medicine type can also indirectly reduce the extent of competition faced by our uremic clearance granule. Our PRC Legal Advisers have advised that we may apply to CFDA to renew the status of our uremic clearance granule as a class two national Chinese medicine protection type for another seven years six months prior to its expiration. We plan to renew such status of our uremic clearance granule accordingly before it expires. According to the public information available at the official website of CFDA, it usually takes CFDA about 140 working days to examine and approve an application for the renewal of such status from the receipt of a complete application.

The formula and key production technique of our uremic clearance granule was also recognised by the Ministry of Science and Technology and State Secrecy Bureau (國家保密局) as a State Secret under the secret category in October 2006 for a term of five years, which status was subsequently extended to and expired in October 2013. The granting and renewal of the State Secret status is to be initiated by relevant governmental authorities in their sole discretion. Please refer to the section headed "REGULATIONS – PROTECTION OF PHARMACEUTICAL PRODUCTS IN THE PRC – State Secret" in this prospectus for further details. As of the Latest Practicable Date, we had not been informed of the status of the renewal of the State Secret status by the relevant authorities. According to SMERI Report, as of 30 June 2013, there was no other kidney medicine in the PRC which had the State Secret status. The following table sets out the

subject matters of the patent, class two national Chinese medicines protection type and State Secret in relation to our uremic clearance granule and their respective protection offered:

	Subject matter	Protection offered
Patent	Certain production techniques (that are not covered by the State Secret) of our uremic clearance granule	Prohibited use of the patented production techniques of our uremic clearance granule by others without our Group's consent
Class two national Chinese medicines protection type	Our uremic clearance granule	Prohibited manufacturing of the uremic clearance granule by other person or entity except under certain special circumstances mentioned above
State Secret	Formula and the key production techniques of our uremic clearance granule	Prohibited disclosure of the protected information by our Group and copying or use of such protected information by other person or entity

Our Directors do not expect the expiry of the State Secret status will have any significant impact on the sales of our uremic clearance granule as the patent by SIPO also provides national protection of certain production techniques of our uremic clearance granule and the Chinese Medicine Type Protection Law also prohibits other person or entity from manufacturing our uremic clearance granule. Further, according to Circular of the National Development Planning Commission on Printing and Distributing the Measures for Pricing of Medicines by Government (國家計委關於印發藥品政府定價辦法的通知) promulgated by NDRC, whether a pharmaceutical product possesses State Secret status is not a factor for determining the maximum retail prices by the PRC government. In addition, since mid-October 2013 and up to the Latest Practicable Date, our Group has not experienced any downward pressure on the average wholesale price of our uremic clearance granule, or any significant drop of sales thereof, and do not expect such to occur in the future, as a result of the expiry of the State Secret status.

Over the years, the positive effects of our uremic clearance granule were presented in over 250 articles in different domestic and international medical journals and science magazines, including the Chinese Journal of Nephrology, the Chinese Journal of Integrated Traditional and Western Nephrology and the Journal of Cellular Biochemistry and the Journal of Ethno-pharmacology.

According to SMERI Report, our uremic clearance granule has consistently ranked first in the market of oral modern Chinese medicines for kidney disease in the PRC from 2008 to 2012 in terms of retail sales, commanding a market share of 24.1% in 2012. It has also consistently ranked among the top three in the market of kidney medicines in the PRC from 2008 to 2012 in terms of retail sales.

Kidney repair and edema alleviation granule (益腎化濕顆粒)

Our kidney repair and edema alleviation granule is a modern Chinese medicine made in granule form and has a positive curative effect in treating chronic glomerulonephritis (慢性腎小球腎炎),which is one of the causes of chronic kidney disease in the PRC, according to SMERI Report. Its major ingredients include atractylodes macrocephala koidz (白朮), poria cocos (茯苓), Chinese herb C, ginseng (人參) and astragalus mongholicus (黃芪). It can rejuvenate the spleen and improve the functions of kidney by reducing proteinuria, hematuria and edema caused by the deficiency of the spleen.

We obtained the New Medicine Certificate and production approval for the production and sale of our kidney repair and edema alleviation granule and commercially launched this pharmaceutical product in 2009. We obtained patent registration in the PRC for our kidney repair and edema alleviation granule in the same year. It was launched under the same "Consun 康臣" brand as our uremic clearance granule, and we believe that it can benefit from the good reputation and brand recognition of our market leading uremic clearance granule. Coupled with our strong marketing capability, our established extensive geographical coverage of our third party distributors and enhanced advertising effort, our kidney repair and edema alleviation granule has successfully penetrated into the market of oral modern Chinese medicines for kidney disease in the PRC. Since its launch, the sales of our kidney repair and edema alleviation granule has experienced rapid growth in turnover from RMB0.6 million in 2010 to RMB5.0 million in 2012, representing a CAGR of 196.3% over the period. For the six months ended 30 June 2012 and 2013, turnover from such product were RMB1.8 million and RMB4.0 million, respectively, representing an increase of 117.9%. We believe that our 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.

According to SMERI Report, the ranking of our kidney repair and edema alleviation granule has also arisen significantly from 54th in 2009 to 22nd in 2012 in terms of retail sales in the market of oral modern Chinese medicine for kidney disease in the PRC.

Others

In addition to uremic clearance granule and kidney repair and edema alleviation granule, we also manufacture and sell two modern Chinese medicines for treating kidney disease, being renal supplement and impotence cure oral solution (補腎填精口服液), which is used for alleviating symptoms such as erectile dysfunction, leg and flank pain, cold hands and feet and lethargy due to kidney degeneration, and jin-gang pill (金剛丸), which is a modern Chinese medicine manufactured on the basis of traditional Chinese medicine formula and is used for alleviating symptoms such as muscles atrophy, tendon pain, knee and back pain and general weakness due to kidney deficiency.

Medical contrast medium

Medical contrast medium is another key product category that we focus on. It is a substance used to enhance the contrast of structures or fluids within the body in medical imaging. The typical shelf life of our medical contrast medium is three years.

Medical contrast medium is another high growth market in the PRC. According to SMERI Report, the market size of MRI medical contrast medium in the PRC was RMB504.1 million in 2012, compared to RMB207.0 million in 2008, representing an increase of 143.5%. The market size of MRI medical contrast medium in the PRC is estimated at RMB1.4 billion in 2017.

Gadopentetate dimeglumine injection (釓噴酸葡胺注射液)

Our gadopentetate dimeglumine injection is manufactured in injection form and in four dosages, 10ml, 12ml, 15ml and 20ml, respectively and is commonly used as a medical contrast medium for the purpose of magnetic resonance image formation of central nervous system, abdomen, thorax, pelvic cavity, limbs, other organs and tissues of human body. As it can shorten the longitudinal relaxation time and transverse relaxation time of protons in tissues, it can enhance the definition and contrast of the magnetic resonance image.

According to SMERI Report, gadopentetate dimeglumine injection, including those manufactured and sold by us, had a total market share of 78.4% in the MRI medical contrast medium market in the PRC in 2012. There are only five manufacturers which have obtained the production approval from CFDA for the manufacture and sale of gadopentetate dimeglumine injection in the PRC and only four of them, including us, are still manufacturing and selling such pharmaceutical product. Amongst the five approved manufacturers, we were the first pharmaceutical company which obtained the New Medicine Certificate and production approval for a MRI medical contrast medium in the PRC.

We were the first pharmaceutical company which obtained the New Medicine Certificate and production approval for a MRI medical contrast medium in the PRC to fill the gap in market of the MRI medical contrast medium in the PRC at the time. Our gadopentetate dimeglumine injection has been registered by CFDA as a class two new medicine under the Registration Measures. We obtained the New Medicine Certificate in 1993 and production approval for the production and sale of gadopentetate dimeglumine injection in 1995, and commercially launched this pharmaceutical product in 1998. Over the years, the positive effects of gadopentetate dimeglumine injection were presented in over 10 articles in different medical journals and science magazines, including the Chinese Journal of CT and MRI (中國CT和MRI雜誌) and The Journal of Practical Medicine (實用醫學雜誌). Over the years, the quality and effectiveness of our gadopentetate dimeglumine injection has gained broad recognition in the PRC pharmaceutical industry since its launch in 1998. As of the Latest Practicable Date, our gadopentetate dimeglumine injection was listed in the National Medical Insurance Medicines Catalogue.

According to SMERI Report, our gadopentetate dimeglumine injection had a market share of 17.1% and ranked third in the market of MRI medical contrast medium in the PRC in 2012 in terms of retail sales.

Other medicines

In order to diversify our product portfolio to include pharmaceutical products in other therapeutic areas, we also manufacture and sell various other medicines. As of the Latest Practicable Date, we manufactured and sold six other medicines, among which one was listed in the National List of Essential Medicines, and four were listed in the National Medical Insurance Medicines Catalogue. These other medicines are primarily chemical medicines including both prescription medicines and OTC medicines. The typical shelf life of our other medicines is one to three years.

Our key other medicines include four chemical medicines: compound amino acid injection (18AA-V)(複方氨基酸注射液(18AA-V)), which is used for treating malnutrition and hypoproteinemia, iron dextran oral solution (右旋糖酐鐵口服液), which is used for treating chronic anemia and iron deficiency anemia due to malnutrition and during pregnancy and puberty cetrizine hydrochloride oral solution (鹽酸西替利嗪口服溶液), which is used for treating seasonal or perennial allergic rhinitis, urticaria and itchy skin and erythromycin estolate suspension (依託紅霉素混懸液), which is used for treating mycoplasmal pneumonia (支原體肺炎), other pneumonia and urinary tract infection.

During the Track Record Period, we also manufactured and sold thrombolytic injection (血栓通注射液) which is used for treating central retinal vein occlusion. Due to its anticipated relatively low gross profit margin primarily as a result of the increase in the price of panax notoginsenosides (三七總皂苷), one of its major raw materials, we ceased production of thrombolytic injection in August 2012. Please refer to the paragraph headed "RAW MATERIALS" in this section for further details of the historical prices of panax notoginsenosides during the Track Record Period. For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, sales of our thrombolytic injection were RMB4.1 million, RMB3.3 million, RMB2.6 million and nil, respectively.

RESEARCH AND DEVELOPMENT

Research and development is critical to the sustainable growth of our business. We are devoted to our research and development and have been recognised as a "High and New Technology Enterprise" in the PRC since 2001. Our research and development efforts focus on the following areas:

- Specialist kidney medicines development. We seek to develop new medicines addressing major unmet medical needs of kidney disease patients with the objective of contributing to the health improvement of the public and to capture a significant portion of market share in new markets, as well as to enrich our product offering. In this regard, we have established our own research and development laboratory for kidney medicines in 2006, which was awarded by the government of Inner Mongolia autonomous region as a "Research and Development Centre of Enterprises in Inner Mongolia Autonomous Region" in November 2012.

- Product enhancement. We seek to discover new curative effects and uses to enhance our existing products and enrich our product offering.

- Quality standard and production improvement. We seek to increase the quality of our pharmaceutical products by improving their quality standards and production through improving the existing production methods and techniques.

We adopt high throughput screening to analyse large amounts of research data in multi-levels with the aim of developing medicines that are effective, safe and with distinctive characteristics. To support our research and development, we utilise innovative research technology in the analysis of the membrane immobilised chromatography (細胞膜固相色譜) to analyse essential basis in Chinese medicines or natural medicines, adopt ultra filtration and reverse osmosis (超濾及反滲透) group to segregate, extract and concentrate ingredients, utilise microwave vacuum drying technology to reduce the drying time in medicines manufacturing process, minimise the loss of potency of the active ingredients in the medicines and the consumption of energy, and use microencapsulation technology to increase the stability of medicines.

We also have advanced testing and analytical equipments and research and development systems imported from overseas, including the cell imaging system that comprises the live cell workstation and other cyte-study system, the liquid and gas chemical analysis system that comprises the LC-MAS, the molecular biology research system that comprises the fluorescence microplate reader and the modern medicines preparation technology that comprises ultrafiltration and reverse osmosis group and micro-pill machine.

We undertake detailed market analysis through collecting information from public sources, analysing related intellectual properties, consulting with research institutions and academic bodies. We also collect feedback from customers, medical practitioners, hospitals and end-users, on future disease trends, market preferences and industry research directions for research programmes prior to commencement of product or technology research projects. While identifying and selecting research programmes, we generally focus on those that have been identified as key diseases in the PRC; or have unmet medical needs in the PRC and have the potential for gaining widespread market acceptance, such as diabetes relating to kidney disease. We conduct our research and development both in-house and through collaboration with external research partners, such as research institutions and universities. External research partners are mainly engaged to provide specific project related technical services, such as pharmacology, toxicology and clinical studies, while the determination of research projects and the core technology for the commercialisation of a particular product remains with our in-house research and development team.

As of the Latest Practicable Date, we had nine patents granted and one patent application pending registration by the SIPO. According to the PRC Patent Law, patent relating to invention are effective for 20 years from the initial date of filing of such patent. In addition, we had three patent applications pending approval in each of the United States, Europe and India. We had three patents granted in Hong Kong, one patent granted and two patent applications pending approval in Japan, and two patent applications granted and one patent application pending approval in Korea. The subject matters of all of our overseas patent applications are related to compounds discovered during the refinement and re-development of our uremic clearance granule, which may be further developed to form the basis of new medicines in the future. In recognition of our proven research and development capability, the governmental authorities in the PRC have granted us financial subsidies to fund our research and development projects.

The production techniques of our uremic clearance granule and kidney repair and edema alleviation granule have been patented in the PRC. As the remaining nine pharmaceutical products which we currently manufacture and sell are Generic Medicines, we do not plan to apply for patent protection as both their formula and the production techniques do not fulfil the innovation requirements for patent application.

We adopt an efficient research and development strategy focusing on the development of specialist kidney medicines and medical contrast medium, based on (i) our previous extensive clinical studies conducted, (ii) solid experience gained during the development of our existing products, and (iii) feedback of medical practitioners in hospitals, medical institutions and pharmacies collected during our marketing activities. In addition, we engage external research partners to leverage on their research and development capabilities. Such strategy allows us to allocate our resources efficiently to keep our research and development spending at an optimal level. The research and development of New Medicines can be broadly classified into three stages, namely (i) pre-clinical research stage; (ii) clinical research stage; and (iii) trial stage. New Medicine product candidates need to obtain the required verifications and approvals from the relevant governmental authorities before moving to the next stage, while Generic Medicine product candidates generally do not need to go through clinical research stage as their functions and effects have already been verified. Therefore, research and development expenses are generally higher for the research and development of a New Medicine than a Generic Medicine. In addition,

the costs for the clinical research stage are generally higher than those for the pre-clinical research stage as it usually takes longer period of time for assessment and confirmation of therapeutic efficacy for a New Medicine product candidate. During the Track Record Period, only three out of our seven product candidates as of the Latest Practicable Date are potential New Medicines, and only one of them is in the clinical research stage.

Further, we have implemented an internal procedure to manage and monitor the use of funds in relation to our research and development activities. Our senior management, together with managers of various departments, such as managers of our production team, sales and marketing team, procurement team and finance team, review and approve the project proposals made by our research and development team. Our research and development team then formulates detailed schedules for these projects and the annual budgets for our research and development activities. Our finance department monitors overruns of such annual budgets and any increase in such annual budgets must be reviewed and approved by our senior management.

For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, our research and development expenses were RMB12.8 million, RMB14.3 million, RMB13.4 million and RMB4.8 million, respectively. To the best knowledge of our Directors, maintaining a relatively low level of research and development expenses when compared to the amount of revenue is common for pharmaceutical companies focusing on Chinese medicines. With our product candidates entering different research and development cycles, our Directors expect that the level of research and development expenses will increase after Listing. We intend to incur approximately RMB420 million on research and development activities for the next eight years, with approximately RMB30 million in 2014, RMB40 million in 2015, RMB50 million in 2016 and RMB60 million in each of 2017 to 2021, which are to be funded by our cash generated from operations together with approximately 20% of the net proceeds from the Global Offering. Please refer to the section headed "FUTURE PLANS AND USE OF PROCEEDS – USE OF PROCEEDS" in this prospectus for more details.

In-house research and development

Research and development of new pharmaceutical products are critical to our continuous growth. As of 30 June 2013, we have a dedicated in-house research and development team which comprised 60 research personnel, of whom four hold doctorate degree or master's degree in pharmaceutical related areas, and more than half of the research personnel have over ten years of experience in the PRC pharmaceutical industry. Our research and development team is led by Professor ZHU Quan, our executive Director and chief scientist of GZ Consun, who is a professor and supervisor in the doctor of philosophy programme in Macau University of Science and Technology, a former member of the Science and Technology Committee of the Ministry of Education, the former director of the National Standardization Pharmacological Laboratory of Chinese Medicines at Nanjing University of Chinese Medicine and a former expert for national medicines assessment. Professor ZHU has extensive experience in the research and development of medicines.

We adopt an innovative research and development management model, under which (i) members are not assigned to a specific research programme but are exposed to and become active players in all research programmes selected; and (ii) members are divided into three groups, each of which is responsible for a specific stage of research and development projects. We believe that this management model not only allows our research and development team to be actively involved in each of our research and development projects and enables the interaction among different groups, but also avoids the overlap of efforts. It also reduces the risk of any single member obtaining the technical know-how of the entire research and development project.

Our research and development team is also responsible for patent application of, and applying for, relevant approval and registration of new products, including the New Medicine Certificate and production approval.

Collaboration with external research partners

We continually seek cooperation opportunities and have formed collaborations with various research institutions, hospitals and universities, such as Guangzhou University of Chinese Medicine, to form a research and development structure. We have also established our own research and development laboratory for kidney medicines, which was awarded by the government of Inner Mongolia autonomous region as one of the "Research and Development Centre of Enterprises in Inner Mongolia Autonomous Region" in November 2012.

The terms of the relevant cooperation agreements with our external research partners normally provide that we are responsible for all funding and necessary equipment, and for arranging the accommodation for the personnel of our research partners at our production plant in Guangzhou, Guangdong province. In addition, our research and development team also actively participates in all of the joint research and development projects. We usually agree that our research partners may publish academic thesis in international professional journals in respect of the joint research results. However, we will have the sole right to produce and sell the new pharmaceutical products, and to submit the registration application in respect of the applications of existing products, product formulation, production methods or techniques discovered under the joint research projects, the sole right to the intellectual properties associated with such new pharmaceutical products, applications of existing products, product formulation, production methods or techniques or any joint research result, and any other benefits resulting from the successful development and commercialisation of the relevant pharmaceutical products.

Products under development

We seek to develop new medicines addressing major unmet medical needs, with the objective of contributing to the health improvement of the public and to capture a significant portion of market share in new markets, as well as to enrich our product offering. The support from the research and development team is crucial in this regard. As of the Latest Practicable Date, we had one product candidate pending the production approval, two product candidates in pre-clinical research stage and four product candidates in trial stage. We currently expect to incur a total of approximately RMB71.1 million on research and development of these product candidates. During the Track Record Period, we discontinued the research and development project of a digestive medicine as we were unable to obtain the New Medicine Certificate for such medicine due to deficiency in the design and control of our trial process. Considering that further investment in the project would exceed the commercial benefits arising from this medicine, we instead focused our resources on research and development of another digestive medicine for irritable bowel syndrome. We have incurred a total of approximately RMB3.2 million in this discontinued research and development project. Save for this digestive medicine, we have not discontinued any other research and development projects during the Track Record Period. Details of our pharmaceutical products under development as of the Latest Practicable Date are set out below:

Kidney medicines

Pharmaceutical product for diabetic nephropathy

During the refinement and re-development of our uremic clearance granule, our research and development team has independently initiated a research and development project of the new pharmaceutical product for treating diabetic nephropathy in its early stage. This new pharmaceutical product is intended to be developed in accordance with the standards of US Food and Drug Administration and the European Union in relation to natural herbal medicines and be used for treating diabetic nephropathy. We expect it to be registered by CFDA as a class six new Chinese Medicine under the Registration Measures. We obtained the patent registration of this new pharmaceutical product in the PRC and Korea in 2012. It will supplement our product offering under the kidney medicines category when it is commercially launched. The development of this new pharmaceutical product is currently at pre-clinical research stage. We expect to complete the clinical research in 2017 and launch this new product commercially before 2020.

Pharmaceutical product for nephrotic syndrome

This new pharmaceutical product is a modern Chinese medicine made on the basis of traditional Chinese medicine formula. It is independently developed by our research and development team and is intended to be used for treating nephrotic syndrome. We expect it to be registered by CFDA as a class six new Chinese medicine under the Registration Measures. It will supplement our product offering under the kidney medicines category when it is commercially launched. We believe that this pharmaceutical product can be used as a substitute for glucocorticosteroid, which is commonly used for treating nephrotic syndrome. The development of this pharmaceutical product is currently at pre-clinical research stage, and we expect to complete the clinical research in 2019 and launch this new product commercially in 2021.

Medical contrast mediums

MRI medical contrast medium

This new pharmaceutical product, to be made in injection form, is intended to be used to enhance the definition and contrast of magnetic resonance image formation of brain, spinal cord, and the magnetic resonance angiogram of blood vessels. We expect it to be registered by CFDA as a class six generic medicine under the Registration Measures. It will supplement our product offering under the medical contrast medium category when it is commercially launched. The development of this product is currently at trial stage, and we expect to launch this new product commercially in 2017.

Three CT medical contrast mediums

The three CT medical contrast mediums are intended to be used for the purpose of CT image formation of vertebral canal and cardio-cerebral vascular, and intravenous urography. These pharmaceutical products will contain iodine which can absorb x-ray in blood vessels or other tissues for image formation. Unlike MRI medical contrast medium, CT medical contrast medium is able to show bone metastasis and calcification, although it may also cause radioactive damage to the patient. We expect them to be registered by CFDA as class six generic medicines under the Registration Measures. They will supplement our product offering under the medical contrast medium category when they are commercially launched. All of them are in the trial stage. We expect to launch these new products commercially in 2016.

Digestive medicine

We plan to diversify our product portfolio by introducing digestive medicine as our new product category. Details of our key digestive medicine under development are set out below.

Digestive medicine for irritable bowel syndrome

This new pharmaceutical product is a modern Chinese medicine developed on the basis of traditional Chinese medicine formula and is intended to be used for treating irritable bowel syndrome. Irritable bowel syndrome is a common disease in the PRC. We expect that there will be high market demand and potential for this pharmaceutical product. We have applied for the registration of this pharmaceutical product as a class six new Chinese medicine under the Registration Measures.

This new pharmaceutical product will be our first digestive medicine when it is commercially launched. It has obtained the New Medicine Certificate and is pending for the production approval. We expect to launch this new product commercially in the second half of 2014.

MARKETING AND DISTRIBUTION

We have a marketing team which implements a proven marketing model. As of 30 June 2013, we had over 550 dedicated marketing representatives, the majority of whom have professional background in medical, pharmaceutical, marketing or other related areas. As pharmaceutical products generally require a higher level of customer knowledge than ordinary consumer goods, and in particular, as our key products are prescription medicines, we consider that sharing specialist knowledge and information with medical practitioners in hospitals, medical institutions and pharmacies and collecting their feedbacks are essential in promoting our products. By doing so, we aim to enrich and update medical practitioners' knowledge of our specialist medicines and other information on relevant therapeutic areas. Through such interaction, we directly market and promote our kidney medicines and medical contrast medium to hospitals, medical institutions and pharmacies. In addition, to achieve deep market penetration in a more effective manner, we engage Independent Third Party distributors to distribute our kidney medicines and medical contrast medium. These third party distributors are GSP certified corporations and have extensive geographic distribution network with strong logistics support. Our third party distributors who purchase kidney medicines and medical contrast medium from us are only responsible for reselling and distributing these products to hospitals, medical institutions and pharmacies either directly or indirectly through other sub-distributors. As of 30 June 2013, we had 175 third party distributors. Our Directors believe that this distribution arrangement is an industry norm and enables us to focus our resources in research and development, manufacturing, and marketing of our products, as we do not need to maintain an extensive GSP certified distribution network with logistics coverage at our own expenses.

Our marketing activities

All members of our marketing team are our full time employees, with a majority holding professional qualifications in medical, pharmaceutical, marketing or other related areas. Our marketing team are mainly divided into two groups according to our two major product categories: kidney medicines and medical contrast medium. Each group has in place one to two national director(s) to formulate the marketing and promotion strategies, regional managers to handle the marketing activities within their assigned regions, and marketing representatives to market and promote our kidney medicines and medical contrast medium to target hospitals, medical institutions and pharmacies and share with them the latest development information of these

products. Most members of our marketing team have over five years of experience in the PRC pharmaceutical industry. This arrangement allows our marketing representatives to focus on the marketing and promotion of a particular product category in a designated target region with the benefit of local market knowledge and familiarity with our products.

We have an extensive network and as of 30 June 2013, we had established 31 liaison points covering 30 provinces, autonomous regions, and municipality cities across the PRC. Such liaison points enable our marketing team to provide immediate marketing services and support to our customers. The following map shows the geographical location of our liaison points as of 30 June 2013:

Leveraging on our research and development capabilities and the academic background of members of our marketing team, we adopt a marketing strategy which focuses on sharing of specialist knowledge with medical practitioners. By sharing specialist knowledge and information, we aim to enrich and update medical practitioners' knowledge of our specialist medicines and other information on relevant therapeutic areas. As part of our marketing activities, we sponsor and attend national and international academic conferences, organise various academic conferences at which renowned scholars are invited to give presentations on the functions of our specialist pharmaceutical products and exchange ideas on future development in the relevant therapeutic areas. In addition, through our co-operation with professional academic bodies such as Chinese Medical Association and Chinese Medical Doctor Association, we offer continuing education courses for medical practitioners in respect of kidney disease and medical contrast medium. We have organised various continuing education courses in respect of issues commonly encountered by medical practitioners in the field of nephrology, such as integrated Chinese-western medical treatment on nephritis and kidney failure and application of medical contrast medium. Medical practitioners attending these continuing education courses are granted continuing education credits by the Chinese Medical Association. We also publish the results of some of our research

projects and place advertisements in professional magazines and journals which are distributed among medical practitioners to further promote our products. In addition, we have our own magazine 康臣健康園 (Consun Health Garden) with information such as kidney disease prevention and control, which is published quarterly and distributed to our end-users for free.

We continually strengthen the quality of our marketing representatives by providing training on a regular basis to improve their product knowledge and marketing skills, which include the skills to organise conferences and seminars for different departments in the medical institutions, handle face-to-face academic exchange according to their academic capability, and handle queries of various customers.

To manage our distribution network, our marketing representatives also work closely with our third party distributors and are responsible for setting sales targets, monitoring performance of our third party distributors and their inventory level, assisting them in seeking sub-distributors so that our kidney medicines and medical contrast medium can penetrate effectively into areas beyond the geographic coverage of our third party distributors.

Collective statutory tender process

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. Pursuant to these collective statutory tender processes, pharmaceutical manufacturers of relevant products are invited to submit their bids to the local government or its designated institution that runs the tender process. The tender process is normally conducted every one to three years across different provinces, autonomous regions or municipality cities in the PRC. A bid evaluation committee of the local government or its designated institution selects the winning bids to supply a particular type of medicine. The selection is conducted on the basis of several factors, including the bidding price, product quality, curative effectiveness, and the pharmaceutical manufacturer's reputation and business scale. Hospitals and medical institutions then select one or more winning pharmaceutical manufacturers to supply the medicine by placing orders with the relevant pharmaceutical product distributors. 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. Hospitals and medical institutions are also allowed to purchase these alternative medicines from these pharmaceutical manufacturers provided the purchase amounts do not exceed the amounts set by the bid evaluation committee. If we are selected as the winning bidder or the provider of the alternative medicines, we are required to provide the relevant hospitals and medical institutions with a list of our third party distributors in the relevant region. It is the sole discretion of the relevant hospitals or medical institutions to determine the exclusive suppliers from which they source the relevant pharmaceutical products. In practice, the relevant hospitals or medical institutions would only select one supplier as their exclusive supplier of the relevant pharmaceutical product.

During the Track Record Period, almost all of our pharmaceutical products were sold to the non-profit-making hospitals or other non-profit-making medical institutions through the collective statutory tender processes.

Regional managers of our marketing team actively participate in such tender process by providing market intelligence, making pricing suggestions to our senior management and our tender team of marketing department based on their analysis on the market status and trend, assisting in the preparation of tender documents and other administrative matters and promoting our products to our third party distributors and securing purchase orders with our third party distributors from the hospitals once we have won in the relevant collective statutory tender process. 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. The number of collective statutory tender processes which we participated in decreased during the Track Record Period is primarily due to timing of these collective statutory tender processes as the collective statutory tender process is normally conducted every one to three years across different provinces, autonomous regions or municipality cities in the PRC and as the winning bidder, hospitals, medical institutions and pharmacies are allowed to continue to purchase our products until the next collective statutory tender process. 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. For the provinces, autonomous regions or municipality cities where we are not selected in the collective statutory tender process, we strive to maintain our market presence by ensuring our products are selected as alternative medicines by the relevant bid evaluation committee(s). For example, our uremic clearance granule was selected as an alternative medicine in Guangxi province in 2011.

Our customers

Distributors

Almost all of our pharmaceutical products are sold to hospitals, medical institutions and pharmacies through our Independent Third Party distributors. Our third party distributors, with the support of our marketing team, resell and distribute our kidney medicines and medical contrast medium directly to hospitals, medical institutions and pharmacies or indirectly through other sub-distributors. They also support us in the sales and promotion of our other medicines with their own sales network. These third party distributors are our direct customers.

Our sales are supported by our marketing team and the extensive distribution network of our third party distributors. All our third party distributors are Independent Third Parties and GSP certified corporations located in different regions in the PRC where our pharmaceutical products are sold. We select our third party distributors based on several criteria, such as their distribution coverage, relationship with target hospitals, medical institutions and pharmacies, credit records, compliance history and financial strength. In addition, we require our third party distributors to provide proof of necessary permits, licences and certificates for the distribution of our pharmaceutical products, including medicines operation permits and GSP certificates, before establishing distribution relationships with us and from time to time during our distribution relationship. Recently, in the view of the healthcare reform and the new rural cooperation medical system (新型農村合作醫療) implemented by the PRC government, pharmaceutical products have become more affordable to Chinese citizens, especially to those who are living in small cities and rural areas. We continue to seek and to achieve deep market penetration by entering into distribution relationships with new creditable third party distributors with broader distribution

coverage and removing those with less competitive distribution capability. During the Track Record Period, our relationship with our major third party distributors remained stable. The changes in the number of our third party distributors for the periods indicated are set out below:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
As of 1 January	68[1]	145	104	105
Additions of new third party distributors	80	21	18	79
(Termination of existing third party distributors)	(3)	(62)	(17)	(9)
Net increase (decrease) in third party distributors	77	(41)	1	70
As of 31 December/30 June	145	104	105	175

Note:

(1) This includes Kangyuan's third party distributors which had business relationship with Kangyuan prior to our acquisition of 63.3% equity interest in Kangyuan in October 2009 but excludes those third party distributors, which did not enter into distribution agreements with Kangyuan prior to the year end of 2010.

In line with our strategy to increase our market share in the market of oral modern Chinese medicines for kidney disease and the market of medical contrast medium in the PRC, we strived to increase the geographical coverage of our pharmaceutical products and the quality and capability of our third party distributors. During the Track Record Period, we added 119 new third party distributors and terminated our contractual relationship with 82 third party distributors who had failed to pay us on time or follow the payment terms we required, or with small purchase amount or less competitive distribution coverage. In particular, after we completed the acquisition of 63.3% equity interest in Kangyuan in October 2009, we standardised Kangyuan's business relationship with its then third party distributors, which were mainly located in northern and eastern regions of the PRC, by entering into distribution agreements with them during 2010. This resulted in a net increase in the number of third party distributors in the same year. Following our cessation of production and sale of some of the other medicines which we acquired their production approvals when we first acquired 63.3% equity interest in Kangyuan in 2009, due to their lower profit margins, and to integrate the distribution network of Kangyuan with those of our own and with an aim to enhance the quality of our third party distributors, we terminated 62 third party distributors of our other medicines and third party distributors with small purchase amount or less competitive distribution coverage in 2011, which resulted in the net decrease in the number of third party distributors in that year. In 2012, we further improved the quality of our distribution network by replacing some of our third party distributors with those that had better track record or more competitive coverage. For the six months ended 30 June 2013, to achieve higher profit margin for our other medicines, we engaged additional third party distributors who were previously sub-distributors of our other medicines. This resulted in a net increase in the number of third party distributors in the same period. Notwithstanding these changes, our relationship with our major third party distributors has remained stable.

To assist our third party distributors to extend their distribution coverage, we try to locate for them sub-distributors that have established distribution network covering remote or less developed regions beyond the geographical coverage of our third party distributors. Our sub-distributors perform similar functions as our third party distributors, except that they are not our, but our third party distributors' direct customers. They usually cover more remote or less developed regions that

tend to have lower consumption power at the early stage of our market penetration. As the market becomes more mature and the sales from these more remote or less developed regions grow, we may consider to engage our sub-distributors directly as our third party distributors to achieve higher profit margin.

We enter into agreements with the sub-distributors that we locate for our third party distributors, and such sub-distributors are required to source our pharmaceutical products from our third party distributors and then sell our pharmaceutical products to hospitals, medical institutions and pharmacies. All of such sub-distributors are GSP certified corporations and Independent Third Parties. The changes in the number of sub-distributors which entered into sub-distribution agreements with us for the periods indicated are set out below:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
As of 1 January	563	961	645	570
Additions of new sub-distributors	575	199	206	175
(Termination of existing sub-distributors)	(177)	(515)	(281)	(165)
Net increase (decrease) in sub-distributors	398	(316)	(75)	10
As of 31 December/30 June	961	645	570	580

To assist our third party distributors to extend their distribution coverage, in particular those third party distributors of Kangyuan which we integrated into our distribution network after we completed the acquisition of 63.3% of its equity interest in 2009 as mentioned above, we engaged 575 additional new sub-distributors in 2010 to help cover the more remote or less developed regions. This resulted in a significant net increase in the number of sub-distributors in that year. However, we subsequently realised that the direct engagement of a large number of sub-distributors was not as cost efficient as we initially expected, and therefore in 2011, we terminated our relationship with (i) the unperformed sub-distributors engaged in 2010; and (ii) sub-distributors of our other medicines after we ceased to sell those other medicines, which resulted in a significant net decrease in the number of our sub-distributors in that year. In 2012 and in the first half of 2013, to further improve the quality of our sub-distributors, we replaced less competitive sub-distributors and terminated relationship with sub-distributors whose distribution coverage overlapped with our third party distributors as our third party distributors continued to grow and expand.

The following table shows the market allocation and distribution coverage of our third party distributors and sub-distributors which entered into sub-distribution agreements with us as of 30 June 2013:

Domestic region	Provinces, municipalities and autonomous regions	Number of third party distributors	Number of sub-distributors
Eastern China	Shanghai, Zhejiang, Jiangsu, Anhui, Henan and Shandong	48	132
Northern China	Inner Mongolia, Beijing, Liaoning, Jilin, Shanxi, Heilongjiang, Hebei and Tianjin	49	169
Southern China	Yunnan, Guangdong, Guangxi, Hunan, Fujian, Guizhou, Hubei, Xinjiang, Hainan and Jiangxi	60	214
Western China	Sichuan, Chongqing, Gansu, Qinghai, Ningxia, Tibet and Shaanxi	18	65
Total		**175**	**580**

As of 31 December 2010, 2011 and 2012 and 30 June 2013, the distribution network of our third party distributors and sub-distributors which entered into distribution or sub-distribution agreements with us covered approximately 32,000, 30,000, 33,000 and 26,000 hospitals, medical institutions and pharmacies in 31 provinces, autonomous regions, and municipality cities across the PRC, respectively. The decrease in the number of hospitals, medical institutions and pharmacies in 2011 was mainly due to the termination of our third party distributors of our other medicines after we ceased to sell those other medicines, and third party distributors which had small purchase amount or less competitive distribution coverage to hospitals, medical institutions and pharmacies of a smaller scale. The number as of 30 June 2013 is less than those at the end of the previous years as the smaller size hospitals, medical institutions and pharmacies in the more remote and less developed regions generally place their only orders with the distributors and/or sub-distributors in the fourth quarter of the year. Our Directors believe that as of 30 June 2013, a majority of our pharmaceutical products were sold to Class III hospitals by our third party distributors and sub-distributors.

Standard distribution agreements

We generally enter into annual distribution agreements with our third party distributors and sub-distributors, which are renewable upon mutual agreement among the parties. The following table summaries the key terms of these annual distribution agreements and sub-distribution agreements:

Key terms	Annual distribution agreements with third party distributors	Annual sub-distribution agreements with sub-distributors
Types of pharmaceutical products	Yes	Yes
Wholesale price of pharmaceutical products	Yes	No
Designated geographic region	Yes	Yes
Quarterly and annual purchase targets ..	Yes	Yes
Specified minimum purchase amounts and deposit	Yes(1)	No
Rewards		
in respect of meeting quarterly and annual purchase targets	Yes	Yes
in respect of sales to target hospitals or medical institutions	Yes(2)	No
in respect of payment method	Yes(3)	No
Qualification and compliance requirements	Yes	Yes
Performance monitoring and liabilities for breach of agreements	Yes	Yes

Notes:

(1) Such requirements apply to certain third party distributors of our other medicines.

(2) Such rewards are offered to certain third party distributors of our uremic clearance granule.

(3) Such rewards are offered to the third party distributors of our uremic clearance granule, kidney repair and edema alleviation granule and medical contrast medium who pay the purchase price in advance.

Designated geographic region

Our third party distributors and sub-distributors are prohibited from selling or promoting to other regions beyond those designated by us, but they are allowed to distribute products other than ours. As we are required to provide the hospitals or medical institutions with a list of our third party distributors and such hospitals or medical institutions have the sole discretion to determine the exclusive suppliers from which they source the relevant pharmaceutical products, we do not designate the target hospitals or medical institutions in a designated geographic region in the distribution agreements with our third party distributors. However, in practice, the relevant hospitals or medical institutions would only select one supplier as their exclusive supplier of the relevant pharmaceutical product for such hospitals or medical institutions. Therefore, we consider that there would not be any cannibalisation among our third party distributors.

Specified minimum purchase amount and deposit

We set annual and quarterly purchase targets for our third party distributors and sub-distributors which entered into sub-distribution agreements with us with reference to their credit history, distribution network, historical purchase amount and sales performance. When determining the purchase targets for our sub-distributors, we also take into account the relevant annual and quarterly purchase targets of the third party distributors from whom they purchase our products. For certain distributors of our other medicines, in addition to the quarterly and annual purchase targets, they are required to pay certain amount of deposits and purchase a minimum amount of our pharmaceutical products each year. We may terminate the distribution agreement if the distributor fails to purchase the minimum amount stipulated in the relevant distribution agreement.

Rewards

In general, we offer rewards to both our third party distributors and sub-distributors which have met the quarterly and annual purchase targets stipulated in the annual distribution or sub-distribution agreements. Such rewards are normally in the form of discount and are made every six months depending on the actual purchase amount from the relevant third party distributor or sub-distributor. The discount is normally in the range of 1.6% to 3.0% of the wholesale price of the relevant product.

We may also offer additional discount of RMB2.06 per pack of 75 grams of our uremic clearance granule to our third party distributors. Such rewards are made quarterly depending on factors including the target hospitals or medical institutions of the third party distributors, and the actual sales volume of the third party distributors to the target hospitals or medical institutions.

To encourage the third party distributors of our uremic clearance granule, kidney repair and edema alleviation granule and medical contrast medium to settle payment before delivery, we offer them additional discount in the range of 0.5% to 1.0% of the wholesale price of the relevant product. Such rewards are also normally made every six months depending on the form of payment, such as payment by cash or bank acceptance bills.

Qualification and compliance requirements

We require our third party distributors and sub-distributors to obtain the relevant licenses, permits and certificates required for their operation, including GSP certificates, and to comply with relevant laws and regulations as well as to follow our sales and pricing policies. We also designate the geographic region to each of our third party distributors and sub-distributors.

Performance monitoring and liabilities for breach of agreements

We closely monitor the performance of our third party distributors and their compliance with the terms of the distribution agreements. Our third party distributors are required to provide us with information in relation to our pharmaceutical products that they distribute, such as inventory level and sales volume, on a monthly basis. We will contact our third party distributors if we note that they have excessive inventories or if their sales volume is significantly below the agreed quarterly or annual purchase targets, and will provide marketing assistance if necessary. Our third party distributors are liable for breaches of the relevant distribution agreements and are responsible for indemnifying us for damages and losses as a result of such breaches. We are also entitled to cancel the rewards that they have earned or terminate the distribution agreements in the event of material breach of the agreements by our third party distributors, such as their failure to sell our pharmaceutical products within the regions designated under the distribution agreements.

We have also adopted measures to monitor the performance of the sub-distributors that have entered into sub-distribution agreements with us and their compliance with the terms of the sub-distribution agreements. Sub-distributors are required to provide us with the key terms of their agreements with our third party distributors, including the quantity and purchase amount of our pharmaceutical products they source from our third party distributors and delivery details. They are also required to provide us with sales information of our pharmaceutical products to end customers on a monthly basis. We will contact our sub-distributors if we note that their sales volume is significantly below the agreed quarterly or annual purchase targets, and will provide marketing assistance if necessary. Sub-distributors are liable for breaches of the relevant sub-distribution agreements and are responsible for indemnifying us for damages and losses as a result of such breaches. We are also entitled to cancel the rewards that they have earned or terminate the sub-distribution agreements in the event of material breach of the sub-distribution agreements by the sub-distributors. Further, our third party distributors can assist us to monitor the performance of the sub-distributors that have entered into sub-distribution agreements with us. In the event of breach by the sub-distributors, our third party distributors may, at our request, stop supplying our pharmaceutical products to such defaulting sub-distributors. We rely on our third party distributors to monitor the performance of the other sub-distributors who have no contractual relationship with us. To the best knowledge of our Directors, as of 31 December 2010, 2011 and 2012 and 30 June 2013, all of our sub-distributors, including those we have no contractual relationship with, were Independent Third Parties.

According to our accounting policies, revenue is normally recognised when ownership of the pharmaceutical products and the related risk and rewards are accepted by our customers. As we only select third party distributors with a strong credit record and steady cash flow, we had not experienced any material delay in payment by our third party distributors during the Track Record Period and up to the Latest Practicable Date. We only accept product returns for defective products or products damaged during transportation and do not accept return of any unsold products. Our third party distributors have to report to us any defective products or products damaged during transportation within one month upon their receipt of such products and may only return such products after our examination and approval. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material product return or made any product recalls due to any quality defects or damages during transportation.

Sales to our five largest customers accounted for 32.3%, 39.2%, 38.3% and 38.6%, respectively, of our turnover for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013. During the same periods, sales to our largest customer which is a leading distributor of pharmaceutical products in the PRC and is listed on the Stock Exchange, accounted for 14.0%, 17.9%, 17.9% and 20.3%, respectively, of our turnover. As of the Latest Practicable Date, we maintain an average of a five-year relationship with a majority of our customers. None of our Directors or their respective associates and none of our existing Shareholders (to the best knowledge of our Directors) who own more than 5% of the issued share capital of our Company had any interest in any of our five largest customers during the Track Record Period. To the best knowledge of our Directors, during the Track Record Period and as of the Latest Practicable Date, none of our Company, subsidiaries, Shareholders, Directors and senior management members as well as their respective associates had any interest in our customers.

During the Track Record Period, we did not have any material disputes with our customers.

Credit policy

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. The length of 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. Our Directors consider that the above credit arrangement is not uncommon in the PRC pharmaceutical industry.

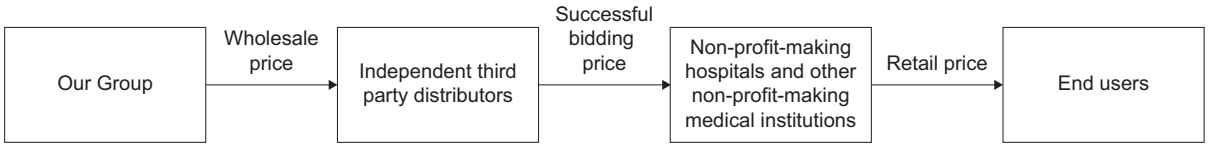
Product pricing policy

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. As a result, these products cannot be sold to the end users above the prescribed retail prices.

According to the Notice on Issuing Certain Regulations on the Trial Implementation of Centralised Procurement of Pharmaceutical Products by Medical Organizations and the Notice on Further Improvement on the Implementation of Centralised Procurement of Pharmaceutical Products by Medical Organisations, 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. A bid evaluation committee of the local government of its designated institutions then selects the winning bids to supply a particular type of medicine. In some cases, the bid evaluation committee may also select certain pharmaceutical manufacturers to supply alternative medicines with unique curative effects. Please also refer to the section headed "BUSINESS – MARKETING AND DISTRIBUTION – Our marketing activities" in this prospectus. Non-profit-making hospitals and other non-profit-making medical institutions purchase the pharmaceutical products selected at the collective statutory tender process at the successful bidding price.

Although the PRC government does not impose restrictions upon wholesale price at which we sell our products to our third party distributors, the adjustments of retail prices, if material, may have an indirect impact on (i) our products' successful bidding prices, being the prices at which non-profit-making hospitals and other non-profit-making medical institutions purchase the pharmaceutical products selected at the collective statutory tender process; and (ii) our products' wholesale prices, being the prices we sell our products to our third party distributors, and therefore affecting our turnover and profitability. Please refer to the section headed "REGULATIONS – PRICE CONTROLS" in this prospectus for further information on the PRC government's imposition of retail price controls over pharmaceutical products.

The following diagram illustrates the different prices at which our products are sold to different purchasers:



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 for Guangdong province can be set and the pharmaceutical products procurement office in Guangdong province is allowed to adjust upward the successful bidding price of our uremic clearance granule. 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. Pursuant to the Management Methods in relation to Differentiated Pricing Treatment of Pharmaceutical Products issued by Guangdong Pricing Bureau (廣東省物價局關於藥品差別定價的管理辦法), and the relevant announcement issued by the Guangdong Pricing Bureau, specific pharmaceutical products approved by the Guangdong Pricing Bureau can be sold at pre-determined maximum retail prices higher than the maximum retail prices of such products imposed by the central government of the PRC and implemented in other provinces, autonomous regions and municipality cities. Pharmaceutical products which are patent-protected, whose production is encouraged by the government or which have outstanding quality, therapeutic effects and safety are entitled to apply for the differentiated pricing treatment. The Guangdong Pricing Bureau normally reviews such pre-determined differentiated retail prices and makes necessary adjustment every two years. In addition, when there are substantial differences between the successful bidding price and the differentiated maximum retail price of an approved pharmaceutical product, the Guangdong Pricing Bureau will also adjust such differentiated maximum retail price. During the Track Record Period, Guangdong Pricing Bureau and the pharmaceutical products procurement office in Guangdong province did not make any other adjustment to the maximum retail price or the successful bidding price of our uremic clearance granule. For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, our Group's turnover generated in Guangdong province, including those relating to the sale of our uremic clearance granule, amounted to RMB42.7 million, RMB37.6 million, RMB52.5 million and RMB26.1 million, respectively, representing 14.1%, 9.7%, 11.5% and 11.4% of our total turnover for the same periods, respectively.

As advised by our PRC Legal Advisers, the differentiated pricing treatment policy is approved by the NDRC in compliance with the national rules and regulations relating to price controls, and it normally will not be revoked once such differentiated pricing treatment is granted unless any of the following circumstances occurs: (i) the production approval, GMP certificate or other approval documents obtained by the relevant manufacturer is revoked or suspended; (ii) the relevant pharmaceutical product is subject to investigation or warning due to quality or pricing issues; (iii) the patent or protection of the relevant pharmaceutical product has expired; (iv) any pharmaceutical product manufactured by the relevant manufacturer causes serious accidents; (v) the relevant pharmaceutical manufacturer submits false materials or bribes when applying for such differentiated pricing treatment; or (vi) other misconducts of the relevant pharmaceutical manufacturer that cause severe adverse effects. Please refer to the section headed "REGULATIONS – PRICE CONTROLS" in this prospectus for further details of the differentiated pricing treatment in Guangdong province.

For the pharmaceutical products which are subject to retail price controls imposed by the PRC government in the form of maximum retail prices, we set our wholesale prices taking into consideration of: (i) the maximum retail prices of the relevant pharmaceutical products set by the government; (ii) the successful bidding prices of such pharmaceutical products (if applicable); and (iii) the profit margin of our third party distributors and non-profit-making hospitals and other non-profit-making medical institutions as permitted by the relevant PRC laws.

The following table sets out the average wholesale prices, average successful bidding prices, average retail prices and maximum retail prices of our products which are subject to retail price controls by the PRC government as of the Latest Practicable Date during the Track Record Period:

	Size per unit	Average wholesale price				Average successful bidding price				Average retail price[1]				Maximum retail price imposed by the PRC government			
		For the year ended 31 December			For the six months ended 30 June	For the year ended 31 December			For the six months ended 30 June	For the year ended 31 December			For the six months ended 30 June	For the year ended 31 December			For the six months ended 30 June
		2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
		(RMB)	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*
Kidney medicines																	
Uremic clearance granule	75 grams	47.3	46.2	46.0	45.3	56.5[2]	56.1[2]	55.9[2]	55.8[2]	59.3	58.6	58.2	58.1	64.5[3]	64.5[3]	64.5[3]	64.5[3]
	90 grams	53.9	52.9	52.7	52.3	67.0[2]	67.0[2]	66.9[2]	67.1[2]	70.3	69.7	69.6	68.9	77.4[3]	77.4[3]	77.4[3]	77.4[3]
Medical contrast medium																	
Gadopentetate dimeglumine injection	10ml	71.4	67.1	63.8	72.4	99.1	94.4	92.4	90.9	98.9	98.4	97.8	95.8	117.0	117.0	117.0	106.0
	12ml	84.4	81.1	80.7	81.8	110.2	107.5	105.5	104.5	115.2	113.3	112.5	110.8	135.0	135.0	135.0	122.0
	15ml	99.5	95.0	96.6	95.5	132.3	126.1	123.3	121.3	134.9	132.4	131.5	130.8	160.0	160.0	160.0	145.0
	20ml	122.1	118.3	118.8	118.9	168.5	159.2	156.2	153.1	168.9	165.9	165.7	164.1	199.0	199.0	199.0	180.0
Other medicines																	
Compound amino acid injection (18AA-V)	250ml	5.2	5.8	5.9	6.7	41.0	41.5	42.0	27.1	41.9	43.5	43.8	25.9	N/A[4]	N/A[4]	N/A[4]	26.2
Alfacalcidol capsule[5]	4μg	9.6	10.7	5.2	7.1	19.1	18.6	18.3	18.3	19.7	18.9	17.9	18.2	27	27	20.5	20.5
Doxofylline and glucose injection	100ml	4.0	3.2	3.3	3.3	40.5	40.4	40.2	38.1	47.1	45.3	43.9	42.4	56.8	56.8	56.8	44.9

Source: Company (for average wholesale prices and average successful bidding prices) and SMERI Report (for average retail prices and maximum retail prices imposed by the PRC government)

Notes:

(1) The average retail price is the weighted average of the retail price of the relevant product, and may not reflect the actual retail price in a certain province or region. Accordingly, the average retail price may be lower than the average successful bidding price for some products as the average successful bidding price is not calculated on a weighted average basis.

(2) The successful bidding prices were adjusted upward from RMB54.4 (75 grams) and RMB65.3 (90 grams) to RMB55.7 (75 grams) and RMB66.8 (90 grams) by the pharmaceutical products procurement office in Guangdong province following the determination of differentiated maximum retail price of our uremic clearance granule by Guangdong Pricing Bureau since April 2010.

(3) The maximum retail price in Guangdong province was adjusted upward to RMB66.0 (75 grams) and RMB79.2 (90 grams) as our uremic clearance granule has enjoyed differentiated pricing treatment (差別定價) since April 2010.

(4) Compound amino acid injection (18AA-V) was not subject to the price controls imposed by the PRC government until February 2013.

(5) Alfacalcidol capsule was also manufactured in the dosage of 8μg which was only introduced and launched to the market in July 2013.

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. For our pharmaceutical products which are subject to retail price controls imposed by the PRC government, their average retail prices were all lower than their corresponding maximum retail prices for the relevant periods. Our Directors consider that, notwithstanding the adjustments in the maximum retail prices of some of our products, 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. We aim to mitigate any potential adverse effect of the price control policy of the PRC government by enhancing our research and development capability in order to develop products that are unique, innovative, highly competitive and with higher profit margin, improving the quality of our pharmaceutical products and diversifying our existing product portfolio.

For the remainder of our pharmaceutical products that are not subject to retail price controls, we may set the manufacturer suggested retail prices on the basis of a number of factors, including cost of production, research and development, and sales and marketing, changes in the level of supply and demand, and prices of competing products. Besides, if our pharmaceutical products fail to win in the collective statutory tender process but are selected as alternative medicines by the bid evaluation committee, we are entitled to determine the prices at which our third party distributors sell these products to the non-profit-making hospitals or other non-profit-making medical institutions.

After-sale service

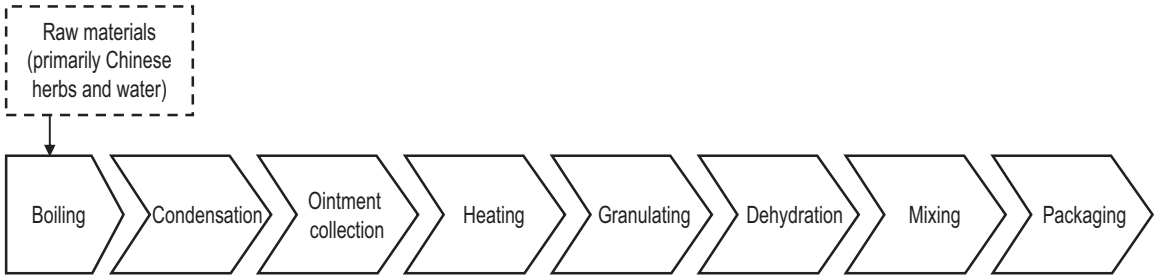
It is our policy that all complaints and requests from our customers and end-users shall be handled promptly upon receipt. Our customer hotline number and address are printed on the package of our pharmaceutical products and are also published on our website. Our customers and end-users can reach us through the customer hotline or by mail should they have any complaints or queries in relation to our pharmaceutical products. We also post on our website the therapeutic effects and the latest research and development status of our pharmaceutical products and daily health care information in respect of relevant diseases. In addition, we have our own magazine Consun Health Garden with information such as kidney disease prevention and control, which is published quarterly and distributed to our end-users to provide them with health care information for free.

PRODUCTION

Production process

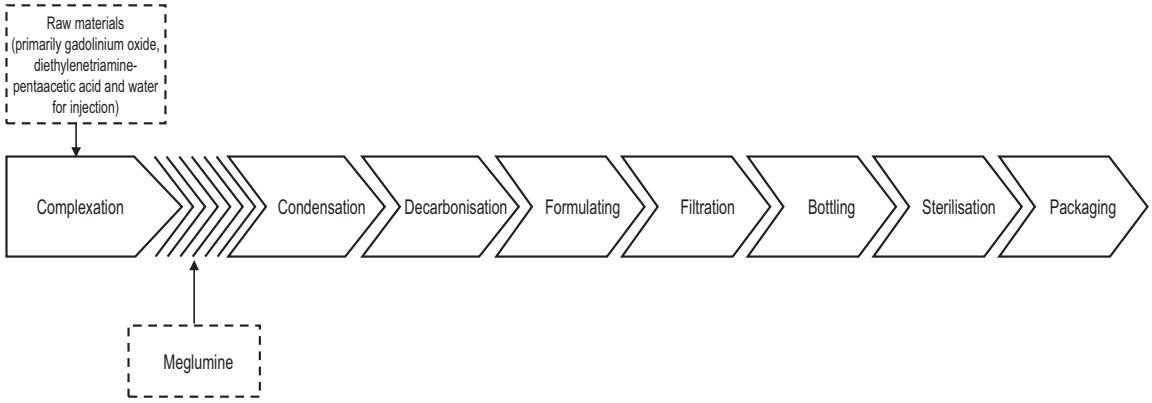
We manufacture our pharmaceutical products in various dosages and forms, including granules, injection, soft capsules, capsules, pills and tablets. The following charts set out the key production steps in the manufacturing process of two of our major products, uremic clearance granule and gadopentetate dimeglumine injection.

Uremic clearance granule



The ingredients required for the production of our uremic clearance granule are extracted from processed Chinese herbs and made into concentrates and granulised. The granules are then dehydrated and mixed with other auxiliary materials to form uremic clearance granule. It typically takes about nine to twelve days for the production of a batch of uremic clearance granule.

Gadopentetate dimeglumine injection



Gadolinium oxide (氧化釓), diethylenetriaminepentaacetic acid (二乙三胺五醋酸) and water for injection are subject to complexation process and condensed to form gadopentetate solution. Meglumine (葡甲胺) is then added to react with the gadopentetate solution. The solution is then condensed, decarbonised, formulated and filtrated to form gadopentetate dimeglumine injection. It typically takes about ten days for the production of a batch of gadopentetate dimeglumine injection.

Production facilities

We manufacture our pharmaceutical products in one production plant located at Guangzhou, Guangdong province and two production plants located at Tongliao, Inner Mongolia autonomous region. As of the Latest Practicable Date, our three production plants have a total gross floor area of approximately 36,143.1 sq.m. These production plants house 13 production lines in operation which include production lines for injection, granules, tablets, pills, capsules and oral solution. Five of these production lines are located in Guangzhou, Guangdong province, for the production of kidney repair and edema alleviation granule, small dosage of gadopentetate dimeglumine injection, renal supplement and impotence cure oral solution (補腎填精口服液), jin-gang pill (金剛丸), and cetirizine hydrochloride oral solution (鹽酸西替利嗪口服液). The other eight production lines are located at our two production plants in Tongliao, Inner Mongolia autonomous region, for the production of other products, including uremic clearance granule. We have obtained GMP certificates for all our production facilities in accordance with the laws and regulations of the PRC.

Our primary production plants for the production of most of our modern Chinese medicines are in Tongliao, Inner Mongolia autonomous region, within close proximity of the plantation bases of the key Chinese herbs used in our production. This facilitates the delivery and supply of raw materials, and thereby reducing the production cost. In determining the location of our production plants, we also take into account the cost of power and water supply.

The primary equipment and machinery we use for production, including extracting tank, dual-effect concentrator, granulator, blender, filling machine, laminating machine, glass reactor, dryer, bottle washing machine, high-temperature tunnel oven, mixing machine, capping machine, steam steriliser machine and labeling machine, were purchased in the PRC. We believe that our equipment, together with the production know-how developed by our research and development team, have enabled us to consistently produce quality products.

The following table illustrates our production capacity and utilisation rates for our uremic clearance granule, gadopentetate dimeglumine injection and kidney repair and edema alleviation granule during the Track Record Period:

		Year ended 31 December									Six months ended 30 June		
		2010			2011			2012			2013		
Production line	*Unit*	*Designed production capacity*	*Production volume*	*Utilisation rate (%)*	*Designed production capacity*	*Production volume*	*Utilisation rate (%)*	*Designed production capacity*	*Production volume*	*Utilisation rate (%)*	*Designed production capacity*	*Production volume*	*Utilisation rate (%)*
Uremic clearance granule	Tonne	270.0[(1)(2)]	489.5	181.3[(2)(3)]	270.0[(1)(2)]	425.8	157.7[(2)(3)]	360.0[(1)(2)(4)]	582.6	161.8[(2)(3)]	258.3[(5)]	340.0	131.6[(6)]
Kidney repair and edema alleviation granule	Tonne	20.8[(1)(2)]	1.1[(7)]	5.3	20.8[(1)(2)]	4.0	19.2	20.8[(1)(2)]	14.1	67.8	10.4[(1)]	5.2	50.0
Gadopentetate dimeglumine injection	Litre	10,205.0[(8)]	6,406.0	62.8	10,205.0[(8)]	8,739.0	85.6	10,205.0[(8)]	10,373.0	101.6[(9)]	5,102.5[(8)]	7,074.0	138.7[(10)]

Notes:

(1) The designed production capacity for a production line is computed on the basis of 335 days per year and 16 hours (with two work shifts of eight hours) per day.

(2) The production line of kidney repair and edema alleviation granule can also be used to produce uremic clearance granule with a designed production capacity of approximately 263 tonnes per year, computed on the basis of 335 days per year and 16 hours (with two work shifts of eight hours) per day.

(3) The actual production activities were conducted using the production line(s) of uremic clearance granule and occasionally the production line of kidney repair and edema alleviation granule, and on three shifts of eight hours per day occasionally to meet the demand for our uremic clearance granule, which resulted in the utilisation rate for such relevant period exceeding 100%.

(4) This represents the weighted average designed production capacity for the year as the designed production capacity increased from 270.0 tonnes to 810.0 tonnes per year as a result of the upgrading of the existing production line in November 2012.

(5) This represents the weighted average designed production capacity for the six months ended 30 June 2013 as (i) the designed production capacity decreased from 810.0 tonnes per year to 540 tonnes per year for the four months ended 30 April 2013 due to the expiry of the GMP certificates for certain parts of our production line in January 2013; and (ii) the designed production capacity increased to 940.0 tonnes per year as a result of the upgrading of our existing production line after the renewal of GMP certificates for certain parts of our production lines in June 2013.

(6) The actual production activities were conducted on three shifts of eight hours per day occasionally to meet the demand for our uremic clearance granule, which resulted in the utilisation rate for such relevant period exceeding 100%.

(7) Small scale production of edema alleviation granule commenced in 2009 and such products were subsequently sold in 2010.

(8) The designed production capacity for a production line is computed on the basis of 264 days per year (or 132 days for the six months ended 30 June 2013) and eight hours (with one work shift) per day.

(9) The actual production days were slightly over 264 days due to overtime on weekends or during public holidays to meet the demand for our gadopentetate dimeglumine injection, which resulted in the utilisation rate for such relevant period exceeding 100%.

(10) The actual production days were slightly over 132 days due to overtime on weekends or during public holidays and was conducted on two shifts of eight hours per day occasionally in order to stock up our inventories prior to the expected suspension of production for upgrading of our production line of gadopentetate dimeglumine injection in Guangzhou for GMP compliance inspection by the relevant government authorities which is expected to last for three to six months during late 2013 to early 2014, which resulted in the utilisation rate for such relevant period exceeding 100%.

At the beginning of each year, our production team meets with our marketing team to discuss the anticipated level of sales orders for that year. Based on the anticipated annual sales volume, our production team then formulates a general product supply plan for that year. The monthly production plans are also determined with reference of such annual product supply plan and the then current sales volume and level of inventories.

We upgraded certain parts of the production line of our uremic clearance granule in early 2013 due to the expiry of the GMP certificates for these parts of the production line in January 2013. The upgrading of such parts and the renewal of GMP certificates were completed in May 2013. Besides, to prepare for the GMP compliance inspection by the relevant governmental authorities, the production of our gadopentetate dimeglumine injection in Guangzhou, Guangdong province will be suspended for upgrading of the relevant production line, which is expected to last for three to six months during late 2013 to early 2014. Our Directors consider that there will not be any significant impact on our Group's business and financial performance as we have prepared and will have sufficient inventories to satisfy the demand during the suspension period.

To cope with the anticipated increasing demand in the high growth market of MRI medical contrast medium in the PRC which has an expected market size of RMB1.4 billion in 2017 according to SMERI Report, we have commenced the construction of a workshop in our new production plant in Guangzhou, Guangdong province which will house one production line for our gadopentetate dimeglumine injection and one production line for our three newly developed CT medical contrast mediums. The new production line for our gadopentetate dimeglumine injection is expected to be completed by the end of 2013 and in full operation in the first half of 2014, and our annual production capacity of gadopentetate dimeglumine injection is expected to increase from approximately 10,000.0 litres to 39,000 litres. The production line for our three newly developed CT medical contrast medium with designed annual production capacity of approximately 499,000 litres which is expected to be completed by the end of 2014 and in full operation in the first half of 2015.

To cope with the anticipated increasing demand in the high growth market of oral modern Chinese medicine for kidney disease in the PRC which has an expected market size of RMB4.5 billion in 2017 according to SMERI Report, we also plan to purchase new production facilities in the production plant in Tongliao, Inner Mongolia autonomous region for the production of uremic clearance granule and various other medicines. When the new production line of uremic clearance granule is in full operation, which is expected to be in the second half of 2015, our annual production capacity of uremic clearance granule is expected to increase from approximately 940.0 tonnes to 2,290.0 tonnes.

RAW MATERIALS

Our primary raw materials include Chinese herbs which are used for the production of our modern Chinese medicines such as uremic clearance granule and kidney repair and edema alleviation granule, chemicals which are used in the production of our chemical medicines, packaging materials and other auxiliary materials.

The following table sets out our purchases of the major raw materials for the periods indicated:

	Years ended 31 December						Six months ended 30 June	
	2010		2011		2012		2013	
	RMB ('000)	*% of purchases of raw materials*	*RMB ('000)*	*% of purchases of raw materials*	*RMB ('000)*	*% of purchases of raw materials*	*RMB ('000)*	*% of purchases of raw materials*
Chinese herbs								
Chinese herb A	1,036	1.8	4,145	5.2	7,325	8.0	5,299	11.3
Chinese herb B	3,899	6.8	6,556	8.1	7,259	7.9	4,135	8.8
Atractylodes macrocephala koidz (白朮)	2,914	5.1	5,139	6.4	4,105	4.5	2,210	4.7
Processed polygonum multiflorum root (制何首烏)	1,906	3.3	3,024	3.8	3,892	4.2	2,203	4.7
Poria cocos (茯苓)	1,875	3.3	3,812	4.7	3,118	3.4	1,753	3.7
Chinese herb C	1,370	2.4	2,155	2.7	2,951	3.2	1,782	3.8
Ginseng (人參)	3	0.0	469	0.6	2,549	2.8	336	0.7
Astragalus mongholicus (黃芪)	830	1.4	1,861	2.3	2,425	2.6	1,749	3.7
The root of red-rooted salvia (丹參)	1,909	3.3	1,904	2.4	2,170	2.4	1,570	3.3
Panax notoginsenosides (三七總皂苷)	3,240	5.7	1,188	1.5	2,144	2.3	0	0.0
Others	7,919	13.8	11,810	14.7	13,282	14.5	5,824	12.5
Sub-total	26,901	46.9	42,063	52.4	51,220	55.8	26,861	57.2
Chemicals								
Diethylenetriaminepentaacetic acid (二乙三胺五醋酸)	1,035	1.8	1,656	2.1	1,794	2.0	811	1.8
Xylitol (木糖醇)	422	0.8	831	1.0	1,565	1.7	0	0.0
Meglumine (葡甲胺)	310	0.5	682	0.9	900	1.0	390	0.8
Hydrochloride histidine (鹽酸組氨酸)	247	0.4	570	0.7	952	1.0	146	0.3
Gadolinium oxide (氧化釓)	72	0.1	1,322	1.6	800	0.9	800	1.7
Others	3,101	5.4	2,721	3.4	4,523	4.9	1,116	2.4
Sub-total	5,187	9.0	7,782	9.7	10,534	11.5	3,263	7.0
Packaging and other materials	25,235	44.1	30,495	37.9	30,078	32.7	16,762	35.8
Total	57,323	100.0	80,340	100.0	91,832	100.0	46,886	100.0

For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, Chinese herbs and chemicals accounted for approximately 55.9%, 62.1%, 67.3% and 64.2%, respectively, of our total purchases of raw materials for the same periods. Almost all of our pharmaceutical products were sold to the non-profit-making hospitals or other non-profit-making medical institutions through the collective statutory tender processes during the Track Record Period. As the successful bidding prices of our pharmaceutical products are fixed by the collective statutory tender processes and certain level of profit margin should be allowed for our third party distributors for the distribution of our pharmaceutical products, there is usually limited room for us to adjust our wholesale prices in case of price fluctuation of our raw materials. We have a dedicated procurement team comprising a procurement manager, who is a qualified Chinese medicines procurement officer (中藥購銷員) recognised by the Ministry of Human Resources and Social

Security of the PRC (中華人民共和國人力資源和社會保障部), and a procurement officer, both of whom have over four years of experience in the PRC pharmaceutical industry, and are responsible for (i) monitoring price of our major raw materials on a regular basis, (ii) conducting quarterly analysis to anticipate potential changes in the price of our major raw materials and to ensure that our purchase prices are in line with the prevailing market prices, (iii) identifying alternative raw materials suppliers who provide the most competitive prices, (iv) negotiating and determining the purchase prices under the annual supply agreements with our suppliers for the next year, with reference to the market data obtained during the regular monitoring of and quarterly analysis on the prices of our raw materials, and (v) enhancing our production process to minimise waste of raw materials and the potential impact from any price fluctuation of our raw materials. Our Directors believe that the cost control measures we adopt enable us to have a more comprehensive and better understanding of the fluctuation of prices of our raw materials, increase our bargaining power, and allow us to obtain more competitive prices when negotiating the annual supply agreements with our suppliers.

The following table shows the historical prices of the major raw materials used for our production for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	Average price per kilogram	Average price per kilogram	Average price per kilogram	Average price per kilogram
	RMB	*RMB*	*RMB*	*RMB*
Chinese herb A[(1)]	20.6	65.4	95.2	120.4
Chinese herb B[(1)]	119.5	156.0	141.6	141.6
Processed polygonum multiflorum root (制何首烏)[(1)]	23.4	29.2	30.0	30.1
Atractylodes macrocephala koidz (白朮)[(1)(2)]	39.1	49.5	28.3	30.1
The root of red-rooted salvia (丹參)[(1)]	21.2	18.6	17.8	19.3
Poria cocos (茯苓)[(1)(2)]	26.2	37.1	22.1	23.9
Chinese herb C[(1)(2)]	54.1	69.1	74.1	80.5
Astragalus mongholicus (黃芪)[(1)(2)]	15.2	22.2	22.1	25.7
Ginseng (人參)[(2)]	159.3	327.9	424.8	424.3
Panax notoginsenosides (三七總皂苷)[(3)]	3,823.4	4,205.1	6,324.8	–
Gadolinium oxide (氧化釓)[(4)]	102.6	807.1	683.8	684.0
Diethylenetriaminepentaacetic acid (二乙三胺五醋酸)[(4)]	589.7	589.7	589.7	589.8
Meglumine (葡甲胺)[(4)]	204.3	198.6	256.4	222.2
Hydrochloride histidine (鹽酸組氨酸)[(5)]	324.8	324.8	332.1	333.3
Xylitol (木糖醇)[(5)]	21.9	23.8	24.8	–[(6)]

Notes:

(1) This is mainly for the production of our uremic clearance granule.

(2) This is mainly for the production of our kidney repair and edema alleviation granule.

(3) This is mainly for the production of our thrombolytic injection which ceased production in August 2012.

(4) This is mainly for the production of our gadopentetate dimeglumine injection.

(5) This is mainly for the production of our compound amino acid injection (18AA-V).

(6) We used our inventories of xylitol for production of our compound amino acid injection (18AA-V) during the six months ended 30 June 2013.

Our Directors believe that the fluctuation of the prices of the above major raw materials during the Track Record Period is primarily due to weather and harvest conditions and the market demand of the relevant raw materials in the PRC during the relevant period. Fluctuation of market price for the raw materials did not have a material impact on our costs of raw material during the Track Record Period as the increase in prices of certain raw materials was partially offset by the decrease in prices of certain other raw materials during the same period.

We adopt stringent supplier selection procedures, in which members of our production team, quality management team and procurement team are involved. Potential suppliers are assessed based on various factors including their pricing, quality and stability of materials and services, scale of operation, market reputation and production capacity. Our suppliers are required to possess all licences and permits necessary to conduct their operations, which include business licences, tax registration certificates and GMP or GAP certificate. Our quality management team conducts quality inspection on the samples of raw materials provided by the potential suppliers to ensure that the quality and stability of the raw materials meet our standards. We visit the potential suppliers to inspect their production facilities, so as to ensure that their production capacity is able to meet our requirements. We also examine their quality assurance systems to assess the quality and standard of the suppliers' production process. Only those suppliers which fulfil all our selection criteria are selected. We maintain an approved suppliers list and we only source raw materials from these suppliers. The approved suppliers list is reviewed annually. Those suppliers who fail to meet our selection criteria are removed from our approved suppliers list. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant problems with the quality of raw materials provided by our suppliers, any material limitations in the supply or any shortage of our raw materials. Our Directors believe that there will continue to be sufficient supply of our major raw materials that meet our required quality for the planned expansion of our production as most of our suppliers, which have long-term business relationship with us, are major suppliers of the relevant raw materials in the PRC. We also maintain a list of alternative suppliers from whom we may source our major raw materials in the event of any limitation in the supply of raw materials.

We generally enter into supply agreements with our suppliers on an annual basis, which are renewable upon mutual agreement. We had not experienced any difficulties in renewing our supply agreements during the Track Record Period. Major terms of the supply agreements generally include the annual supply quantities, price (which can be adjusted to a mutually agreed price if the market price fluctuates by more than 15% of that specified in the supply agreements), quality requirements, return policy, payment terms and indemnification for breach of agreement. During the Track Record Period, we were able to adjust the purchase prices of our raw materials during the term of the annual supply agreement when there was significant price fluctuation. We are not subject to any penalty if we fail to meet the annual supply quantities specified in the agreement. 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. We are entitled to return the raw materials that fails to meet our quality standards to the suppliers. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any penalty for failing to meet the annual supply quantities specific in the agreement and had not encountered any delay in delivery of raw materials by our suppliers that significantly affected our manufacturing operations.

For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, our aggregate purchases from our five largest suppliers, including GMP or GAP certified suppliers of Chinese herbs and suppliers of packaging materials, represented 58.1%, 62.4%, 62.7% and 71.6% of our total purchase amount of raw materials, respectively. During the same periods, purchases from our largest supplier represented 37.9%, 36.1%, 40.7% and 43.7%, respectively, of our total purchase amount of raw materials. As of the Latest Practicable Date, we maintain an average of a five-year relationship with each of these major suppliers.

During the Track Record Period, none of our Directors or their respective associates and none of our existing Shareholders who (to the best knowledge of our Directors) own more than 5% of the issued share capital of our Company had any interest in any of our five largest suppliers.

During the Track Record Period and up to the Latest Practicable Date, we had not had any material disputes with our suppliers.

QUALITY MANAGEMENT

High quality of our pharmaceutical products is vital to our success. We maintain a stringent quality control system in accordance with the relevant PRC laws, regulations and rules. Our emphasis on quality control is also recognised by the industry. For example, as we were the first pharmaceutical company which obtained the New Medicine Certificate and production approval for manufacture and sale of a MRI medical contrast medium in the PRC, the CFDA adopted our then quality standards in relation to gadopentetate dimeglumine injection when it formulated the national quality standards that apply to all gadopentetate dimeglumine injections manufactured by pharmaceutical manufacturers in the PRC. Furthermore, to ensure continuous improvement in the quality of our pharmaceutical products, our quality management team reviews the implementation of the quality control system on a regular basis and submits a monthly product quality inspection report to the management that sets out unusual matters discovered during the production process, product quality control conditions and product acceptance rate.

As of 30 June 2013, our quality management team comprised 45 members, which was divided into quality control division and quality assurance division. A majority of them have pharmaceutical or medical related educational background and more than 10 members have over seven years of experience in quality control in the PRC pharmaceutical industry. Our quality management team is led by personnel with pharmacist or senior engineer qualification. Our quality management team is responsible for formulating our quality control system in accordance with the GMP standards and the relevant PRC laws and regulations, as well as monitoring our raw material procurement process and production process.

We have internal policy and guidelines on quality control of production of our pharmaceutical products to comply with the GMP standards and requirements. Such internal policy and guidelines cover all aspects of the production of our pharmaceutical products including the design and construction of production plants and facilities, the installation and maintenance of production equipment, procurement of raw materials and packaging materials, quality checks of raw materials, production process and finished products, monitoring adverse medicine reactions and verification of documentations.

As of the Latest Practicable Date, we held in total 12 GMP certificates, which will expire between 2013 and 2017. We have never failed to renew the GMP certificates since we first obtained the GMP certificates. The following table sets out the key requirements under the GMP standards in the PRC and how our operations comply with such standards:

Requirements under GMP standards	Measures taken by our Group
Quality management:	
An enterprise should establish quality objectives to meet quality management requirements. All medicine registration requirements concerning safety, effectiveness and quality control shall be implemented systematically into the entire process of production, quality control, release, storage and shipping of the pharmaceutical products to ensure that such products are qualify to be used for its intended purposes and meets the registration requirements.	To ensure our products meet their intended use and the registration requirements, we have established relevant quality principles and objectives, based on which we have set up and implemented relevant quality control management systems, such as the quality control management systems in relation to the safety operation of laboratory, the production process and the delivery of finished products. Also, we have provided our employees with necessary trainings and resources in respect of the quality objectives, and monitored the implementation of the quality control management systems.
Quality control includes aspects such as responsible organisations, documentation systems, as well as sampling and inspection procedures to ensure the quality of raw materials and the pharmaceutical products.	We have established a quality management team which is independent from our production team and is able to independently perform its duties. Key positions are staffed with professional technical management personnel. A majority of our quality management team members have pharmaceutical or medical related educational background and more than 10 members have over seven years of experience in quality control in the PRC pharmaceutical industry. Each position established in such team has clear delineation of responsibilities. In addition, we have established comprehensive management systems and customised procedures for testing, sampling, monitoring, and releasing raw materials and products. We have established specific quality control standards for each type of raw materials, packaging materials, semi-finished products and finished products. Raw materials or semi-finished products cannot proceed to the next stage of production unless they have passed the quality testing process. Finished products cannot be released for sale unless they have met our quality standards.

Requirements under GMP standards	Measures taken by our Group
Organisation and personnel:	
An enterprise shall establish independent quality management departments to perform the duties of quality assurance and quality control. The quality management department can be set up separately as quality assurance department and quality control department.	We have established an independent quality management team, which consists of a quality assurance division and a quality control division, both of which are completely independent from the production team. The quality management team is responsible for the quality control matters as required by GMP standards, including formulating and approving our GMP documents, selecting our suppliers, and monitoring the production process.
Production plants and facilities:	
The location, design, layout, construction, renovation and maintenance of the production plants must comply with the requirements of pharmaceutical production. Measures shall be taken to avoid, to the best extent, contamination, cross-contamination, mix-ups and errors, and the environment needs to be convenient to clean, operate and maintain.	We have implemented internal guidelines and procedures to ensure all production plants meet the GMP standards in terms of location, design, layout, construction, renovation and maintenance of the production plants, and the relevant legal requirements for safety production and environmental protection. Under our guidelines, we will consider pollution factors when we locate our production facilities, therefore, we only locate our production facilities in industrial development zones with suitable environmental conditions. In addition, under our guidelines, we only engage designing institutions with pharmaceutical expertise to help design our production facilities. We have adopted customised procedures for the production area, warehouses, quality control area and the production supporting area to avoid contamination, cross-contamination, mix-ups and errors, including separation of areas with different functions. For example, staff and production materials have separate access to the production area, and the quality control area and production area are separated from each other.
Equipments:	
Documents and records regarding equipment procurement, installation and confirmation shall be created and kept.	We have set up a filing system to record all production phases, including the procurement, installation, installation confirmation, operation confirmation, performance confirmation and daily usage of each equipment. The activities of each phase are documented, recorded and archived.

Requirements under GMP standards	Measures taken by our Group
Materials and products:	
Handling procedures of materials and products shall be established to ensure that the materials and products are property received, stored, distributed and delivered in order to prevent contamination, cross-contamination, mix-ups and errors.	To prevent materials and products from contamination, cross-contamination, mix-ups and errors, we establish management systems and operation procedures which meet the GMP standards to ensure that the materials and products and property received, inspected, stored, used, distributed and delivered. For example, the production waste is delivered out of the production area through a specific channel which is separated from that for the production materials. In addition, our warehouses have in place separated areas for the storage of production materials and finished products.
Procurement:	
Quality assessment should be performed for the determination and change of material suppliers, and procurement can only be carried out after the suppliers have been approved by quality management department.	Our quality management team is responsible to examine and evaluate the qualifications of suppliers of raw materials in accordance with the relevant procurement procedures, which require onsite visit and inspection, sample testing and trial production. We only procure raw materials from suppliers approved by the quality management team.
Confirmation and verification:	
Before any new production formula or technique is adopted, an enterprise shall verify their applicability in regular production. the production technique adopted should be able to consistently manufacture products that meet the intended use and the registration requirements if the required raw materials and equipment are used.	To ensure that new production techniques or production formulas will meet their intended use and will be applicable to normal production, we establish a verification management system, which requires that any new production technique and production formula must be strictly verified before applying to formal production process. For example, specific technical trainings on such new production techniques or production formulas are provided to employees and each production technique or production formula has to pass at least three rounds of trial production to ensure the consistency and stability of the product quality and the production process.

Requirements under GMP standards	Measures taken by our Group
Documents management:	
Each batch of pharmaceutical products shall have a corresponding batch production record that allows one to trace the product batch's production history and quality-related information.	Each batch of product has a corresponding batch production record, which contains details of the key information of each stage of production to ensure the traceability of its production process, such as date, product name, batch number, the operating staff, the verifying staff, production procedures, key technical indicators, the quality indicators of the intermediate products in various phases and quality indicators of the finished products.
Production management:	
An enterprise shall establish operation procedures to differentiate different batches of pharmaceutical products to make sure pharmaceutical products of the same batch have consistent quality and features.	We have established cleanup management systems and product cleaning operation procedures to require clearing up and cleaning of the production workshops after completion of each stage of production of each batch of products, and the clearing and cleaning records are filed with the production records after the cleaning works are completed. Personnel from quality management team would inspect the production workshops to check the results of cleaning, and the production workshops can only be put back to operation after the personnel believe the cleaning fulfils the relevant requirements.

Raw materials quality control

We have stringent procedures in place for the selection of suppliers, which are in compliance with the GMP standards and the requirements of CFDA. Raw materials are subject to sample testing during the supplier selection process and the raw material delivery process. Only raw materials that satisfy our specification and standards are accepted.

Production process quality control

We adopt strict hygiene standards at our production lines. All production employees are required to wear production uniform, working caps and shoes. Access to our production line is controlled and each production staff is assigned to designated post(s) of a production line. Each stage of our production process is closely monitored by our quality control team. Semi-finished products are sample tested after each stage of the production process to ensure their compliance with GMP requirements and our quality standards. Only those products which pass the quality testing processes can proceed to the next stage of production.

For the production of our uremic clearance granule, our quality management team (i) closely monitors the temperature and concentration of raw materials, steam pressure and processing time during the boiling and condensation processes; (ii) examines the density of the ointment during the ointment collection process; (iii) examines if the temperature, moisture content and shape of

granule produced after the heating, granulating, dehydration and mixing processes meet our quality standards; and (iv) inspects the weight and sealing of each package of uremic clearance granule after the packaging process.

For the production of our gadopentetate dimeglumine injection, our quality management team (i) closely monitors the temperature of the chemical reaction and the processing time during the complexation, condensation and decarbonisation processes; (ii) examines the ingredient composition and conduct sample testing of the semi-finished products after the formulating and filtration processes; (iii) examines if the bottling method, the temperature and sterilisation time, and the clarity of the injection produced in the bottling and sterilisation processes meet our quality standards; and (iv) inspects the weight and sealing of each bottle of gadopentetate dimeglumine injection after the packaging process.

Finished products quality control

Each batch of completed products is subject to quality checks on a sample basis to ensure the fulfilment of the required standards. Product approval certificate and quality assurance report are issued with each batch of completed products which pass the inspection and obtain approval from our quality management team. Our warehouses only release products that obtain both the product approval certificate and the quality assurance report. Finished products that fail to meet our quality standards are destroyed.

Quality control during transportation

Before we deliver our pharmaceutical products to our third party distributors, our quality management team will inspect all material supply, production and quality assessment records to ensure such pharmaceutical products are in line with our internal as well as national standards. Each batch of our pharmaceutical products has a distribution record and is labeled by a serial number to ensure accurate tracking of products sold. In addition, we assess the qualifications of our logistics providers to ensure that only qualified logistics companies are engaged to deliver our pharmaceutical products to our customers.

We also have in place various measures to monitor the distribution of our pharmaceutical products in accordance with the GSP standards and requirements. As of the Latest Practicable Date, we held one GSP certificate which will expire in 2014. We have never failed to renew the GSP certificate since we first obtained such certificate. The following table sets out key requirements under GSP standards in the PRC and how our operation comply with such standards:

Requirements under GSP standards	Measures taken by our Group
Quality management:	
The quality management system of an enterprise, including its organisation structure, personnel, facility and equipment, quality management system documentation and computer system, shall be applicable to the business activities within its business scope and its scale of business.	We have established quality management systems and procedures in compliance with the GSP standards. We have set up the organisation structure, personnel, facility and equipment, quality management documentation and computer system which are suitable for our business. For example, we have established a quality management team and a material supply and storage team which are independent from each other.

Requirements under GSP standards	Measures taken by our Group
Facilities and equipment:	
The location, design, layout, construction, reconstruction and maintenance of warehouses must comply with the requirements for the storage of pharmaceutical products. Measures shall be taken to be able to avoid contamination, cross-contamination, mix-ups and errors.	Our warehouses have been equipped with the appropriate facilities and equipment suitable for the storage of our products, such as the humid and temperature control equipment and lighting equipment. To avoid contamination, cross-contamination, mix-ups and errors, different inventories including Chinese herbs, packaging materials, finished products and defective products have separated storage areas.
Sales management:	
An enterprise shall sell the pharmaceutical products to legitimate purchasers. Measures shall be taken to verify the relevant certificates of the purchasers and the identities of their employees conducting the procurement and taking delivery of the pharmaceutical products to ensure accuracy and legality of the flow of the pharmaceutical products.	We have established a verification management system and the relevant procedures to ensure our products are sold to legitimate purchasers. Our quality management team is responsible for examining and verifying the qualifications and identifications of each of our customers and their sales staffs. Informations of qualified customers and their sales staffs is recorded in our database and the computer system will only authorise the issue of invoices to our qualified customers.

We had not encountered any material complaints on product quality or any material product returns during the Track Record Period and up to the Latest Practicable Date.

INVENTORY AND LOGISTICS

Inventory management

The inventories of our operations primarily consist of raw materials, work in progress and finished goods.

We have warehouses in each of our production plants located in Guangzhou, Guangdong province, and Tongliao, Inner Mongolia autonomous region, with a gross floor area of approximately 2,646 sq.m. Our inventories are stored in accordance with GMP requirements. As some of our raw materials and finished products are temperature and humidity sensitive, our warehouses are equipped with temperature and humidity control systems to maintain the quality and stability of our raw materials and finished products. Furthermore, to provide sufficient space for the storage of inventories to meet our expansion plan, three warehouses with a gross floor area of approximately 5,940 sq.m. are under construction in accordance with GMP requirements in our Guangzhou and Tongliao production plants. The warehouses that are under construction in our Tongliao production plant is expected to be in operation in second half of 2014, while the warehouse under construction in our Guangzhou production plant is expected to be in operation in the first quarter of 2014.

We employ 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. With our continuing efforts in managing inventory levels, our average inventory turnover days improved significantly during the Track Record Period. Please also refer to the section headed "FINANCIAL INFORMATION – CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – Inventories" in this prospectus for further details. Raw materials and finished products that are obsolete, damaged or expired are generally written off and disposed of in accordance with the relevant laws and regulations of the PRC. During the Track Record Period and up to the Latest Practicable Date, we had not experienced significant write offs for obsolete, damaged or expired inventories.

In addition, each of our pharmaceutical products which is an OTC medicine or included in the National List of Essential Medicines is assigned with a unique electronic code which is printed on its package and is reported to the CFDA for tracking. Further, to obtain up-to-date information as to the inventory levels and sales status of our third party distributors, we have access to the electronic system of our third party distributors to monitor the inventory and sales level of our pharmaceutical products. We require certain key third party distributors to maintain at least 1.5-month inventory of our products. For other third party distributors, we ensure the supply of our products on the basis of their actual inventory level.

Logistics

We outsource the transportation of most of our pharmaceutical products to qualified logistics companies. We generally assess our logistics providers based on price, reputation, transportation efficiency, transportation capability and their track records. We also require our logistics providers to possess transportation permits and other relevant qualifications to conduct their business. We normally enter into one-year agreements with our logistics companies and evaluate their performance on an annual basis. These outsourcing arrangements allow us to reduce our capital investment and the logistics companies bear the risks associated with delivery of our pharmaceutical products, including those arising from traffic accidents or delivery delays.

We have our own vehicle supports and are responsible for the delivery of products to customers located near our production plants.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant delay in delivery that materially affected our business operations.

INTELLECTUAL PROPERTIES

Details of formulae of our pharmaceutical products and the production technologies and conditions that we use in the production process constitute part of the technical know-how which is vital to our business. We rely on a combination of patents, trademarks and trade secrets, as well as employee and third party confidentiality agreements, to protect our intellectual properties.

We also own and have applied for patents to protect the technologies, inventions and improvement that we believe are significant to our business. As of the Latest Practicable Date, we had nine patents granted and one patent application pending registration by the SIPO. In addition, we had three patent applications pending approval in each of the United States, Europe and India. We had three patents granted in Hong Kong, one patent granted and two patent applications pending approval in Japan, and two patents granted and one patent application pending approval in Korea. The subject matters of all of our overseas patent applications are related to compounds discovered during the refinement and re-development of our uremic clearance granule, which may be further developed to form the basis of new medicines in the future. We also rely on trademark

registration to protect our non-patented products. As of the Latest Practicable Date, we had registered 68 trademarks in the PRC, five trademarks in Hong Kong and one trademark in each of the Philippines, Thailand, Vietnam, Indonesia, Singapore and Korea, including "  ", which was recognised as "Guangzhou Well-Known Brand" by the Guangzhou branch of SAIC in 2011, and  , which was recognised as and "Guangdong Well-Known Brand" by the Guangdong branch of SAIC in 2012.

In respect of the proprietary know-how or data that is not patentable and production processes for which patents are difficult to enforce, we rely on trade secret protection and confidentiality agreements in order to safeguard our interests. We adopt a secret protection policy under which personnel and department responsible for secret protection are identified. All of our employees and our external research partners who are involved in our research and development projects are required to enter into confidentiality agreements with us. These agreements require such personnel to keep the relevant confidential information confidential and be responsible for preventing leakage of confidential information. Moreover, the strict segregation of duties among members involved in different stages of research and development process ensures that each member only obtains know-how in relation to a specific stage instead of the entire process of our research and development projects.

If our patents or trademark are challenged, our brand name is damaged or our trade secrets become known by our competitors, there could be a material adverse effect on our business. Please refer to the section headed "RISK FACTORS – RISKS RELATING TO OUR BUSINESS – We may be unable to adequately protect our intellectual property rights" in this prospectus for more details.

In addition to protecting our own intellectual property rights, it is also essential to minimise the risk that any of our pharmaceutical products or production technologies may infringe the intellectual property rights of others. For each research and development projects, our research and development team members conduct patent searches to ensure that the subject matter of the project does not infringe others' intellectual property rights prior to the commencement of such project. However, despite such internal control procedures, the risk of infringing third party intellectual properties cannot be eliminated entirely. Please refer to the section headed "RISK FACTORS – RISKS RELATING TO OUR BUSINESS – We may be exposed to infringement claims if we infringe third party proprietary or intellectual property rights" in this prospectus for more details.

As of the Latest Practicable Date, we had not been sued on the ground of, and had not undergone arbitration in respect of, nor had we received any notification from third parties that claim any infringement of intellectual properties of third parties. Furthermore, as of the Latest Practicable Date, we had not been the subject of any adverse finding in an investigation or audit by any governmental authorities in respect of any infringement of intellectual property rights of third parties.

COUNTERFEIT PRODUCTS

We are aware that certain counterfeits of our pharmaceutical products exist in the PRC market. In order to proactively prevent counterfeiting, we add counterfeit-prevention laser labels and unique barcodes on the packaging of our pharmaceutical products. In addition, we investigate counterfeit products in the market through our customer service department and marketing team to monitor any counterfeit products and infringement of our intellectual property and information provided by our third party distributors, other end-users. In the past, we have also informed the relevant PRC government authorities, such as the local branches of SAIC and public security bureaus, of existence of counterfeit of our pharmaceutical products. For instance, in January 2013,

we discovered that a factory located in Zhejiang province had illegally produced 1,000 counterfeit packages of uremic clearance granule without our consent or authorisation. Appropriate actions were taken by the relevant government authorities, including confiscation of counterfeit products. We also took further actions to avoid reoccurrence of such incident, including requesting further assistance from the relevant government authorities in tracing the source of any possible infringement incidents, informing our third party distributors and sub-distributors of such incident and requiring them to purchase our pharmaceutical products through the approved sales channels, and organising on-site visits by our marketing representatives to ensure possible infringements are promptly discovered and reported to the management and the relevant government authorities. We will continue to take proper actions to defend our intellectual property rights and our products against infringements. During the Track Record Period, counterfeit products had not had a material adverse effect our turnover.

EMPLOYEES

As of 30 June 2013, we had 1,078 employees. The table below sets out a breakdown of our employees by function as of 30 June 2013:

	Number of employees
Production	268
Marketing	561
Research and development	60
Procurement	2
Quality management	45
Inventory management and logistics	19
General Administration	91
Management	32
Total:	1,078

We utilise a periodic employee evaluation program whereby each of our employees receives feedback on their performance. The bonuses of most of our employees are performance based. We require our new employees to attend an orientation training programme. From time to time we provide continuous training to our employees in order to improve their customer service skills, marketing skills, technical skills and product knowledge. Such training is delivered by our employees and also by external trainers.

We contribute to a social insurance scheme in accordance with PRC laws and regulations. Based on the confirmation letters issued by the Human Resources and Social Security Bureau of Luogang district on 18 April 2013 and the Human Resources and Social Security Bureau of Kezuohouqi on 27 July 2012 and 3 April 2013, both of which are competent authorities in charge of social insurance matters. As confirmed by our PRC Legal Advisers, we have complied with the labour law and regulations in the PRC.

We maintain good working relationships with our employees. Our Directors believe that our working environment and benefits offered to our employees have contributed to building good employee relations and retention. As of the Latest Practicable Date, we had not experienced any strikes or any labour disputes with our employees which have had a material effect on our business.

As required by applicable PRC laws and regulations, we participate in the housing provident funds for our employees. Based on the confirmation letters issued by the Housing Provident Fund Administration Bureau of Guangzhou on 15 April 2013 and the Housing Provident Fund Administration Bureau of Tongliao, Kezuohouqi branch on 6 May 2013, both of which are competent authorities in charge of housing provident funds matters. As confirmed by our PRC Legal Advisers, (i) GZ Consun, Consun Medicine and Consun Research had not been subject to any penalty imposed by the Housing Provident Fund Administration Bureau of Guangzhou since they commenced to pay the housing provident funds for their employees; and (ii) Consun (Inner Mongolia) and Kangyuan had made full payment of the housing provident funds for their employees for the period from they opened the accounts for the payment of housing provident funds up to the date of the confirmation letters.

PROPERTIES

As of the Latest Practicable Date, we held the land use rights to eight parcels of land housing our production plants located in Guangzhou, Guangdong province and Tongliao, Inner Mongolia autonomous region, with an aggregate site area of approximately 227,170.5 sq.m. and building ownership certificates to various buildings and units in the PRC with a gross floor area of approximately 49,338.8 sq.m. These are used as production plants, ancillary facilities, offices and employee quarters. As confirmed by our PRC Legal Advisers, as of the Latest Practicable Date, other than the properties stated below, we had obtained all necessary land use right certificates and building ownership certificates for our properties.

We have not obtained the relevant ownership certificates for eight of our properties, with an aggregate gross floor area of 712.0 sq.m., representing 1.4% of the gross floor area of the properties occupied and used by us as of the Latest Practicable Date. All of these properties are used as employee quarters. Among these properties:

- five of these properties with a total gross floor area of approximately 519.9 sq.m. are located on five parcels of land located in Tongliao, Inner Mongolia autonomous region which we leased from the State. According to the confirmation letter issued by the Land Resources Bureau of Kezuohoqi on 27 June 2013, which is a competent authority in charge of land use right administrative matters, the land use right of the said parcels of land, with a total site area of approximately 357.2 sq.m. was leased to us for residential use for a term of 18 years. The lease will expire on 26 June 2022. As confirmed by our PRC Legal Advisers, the lessor of such land is legally in possession of the land use right of the said parcels of land. However, we have not obtained the building ownership certificates of such properties due to the lack of the relevant construction planning permits and as advised by our PRC Legal Advisers, we are unable to transfer, mortgage or otherwise dispose such properties without the building ownership certificates. Further, as advised by our PRC Legal Advisers, if the relevant government authorities determine that the construction of these properties are not in compliance with the local planning, (i) we may be required to rectify such non-compliance; (ii) we may be ordered to dismantle such properties or such properties may be confiscated by the government authorities if we fail to rectify such non-compliance as required; and (iii) we will be subject to fines which equal to up to 10% of the construction cost. However, our Directors do not expect the amount of such potential fines to be material to us.

- we have not obtained the land use right certificates for the remaining three of these properties located in Tongliao, Inner Mongolia autonomous region with a total gross floor area of 192.1 sq.m. due to the failure of the property developer to obtain the initial land use right of the land parcel where our properties are located. As advised by our PRC

Legal Advisers, we will not be subject to any penalty imposed by the relevant government authorities for occupying such properties without obtaining the relevant land use right certificates. However, as advised by our PRC Legal Advisers, (i) although we are the sole legal owner of the said properties, we are unable to transfer, mortgage or otherwise dispose such properties without the relevant land use right certificates; and (ii) the relevant government authorities may confiscate such properties, but we may require the relevant property developer to take remedial actions or indemnify us for our loss caused by such confiscation.

Our Directors believe that (i) such properties are not crucial to our operations and the lack of the relevant building ownership certificates or land use right certificates does not and will not have a material adverse effect on our business, result of operations and financial condition because the defective properties are merely used as quarters of our employees and they represent a small portion of the total value of our properties; (ii) there would not be any difference in our cost to acquire or lease the relevant parcel of land if such properties did not have the aforesaid defective titles; and (iii) the properties are safe to be used for residential purpose. We are seeking alternative quarters for the relevant employees. In case we are required to relocate, we have alternative quarters available for the said employees who will be responsible for their own relocation expenses. Our Directors expect that the relocation can be completed within a month and will not have a material adverse effect on our business, results of operation and financial position.

As of the Latest Practicable Date, we had also completed construction of our production workshop, offices and ancillary facilities of gross floor area of approximately 12,533.7 sq.m., which we are in the course of applying for the relevant building ownership certificates.

We continue to expand our production plants to enhance our production capacities. As of the Latest Practicable Date, we had various buildings and units that were under construction, with an aggregate planned gross floor area of 6,180 sq.m. We intend to use these buildings mainly for production, storage, quality control and other logistic purposes. As confirmed by our PRC Legal Advisers, we have obtained the land use right certificates and other relevant planning and construction certificates for such properties under construction. For further details of the property interests owned or leased by us, please refer to "APPENDIX III – PROPERTY VALUATION" to this prospectus.

ENVIRONMENTAL AND OCCUPATIONAL SAFETY MATTERS

We recognise the importance of environmental protection and therefore have controlled our pollutant emissions and ensured compliance with the PRC environmental laws and regulations during the course of production. Our operations are subject to national, provincial and local environmental laws, rules and regulations which, among other things, require manufacturers to conduct an environmental impact assessment before engaging in new construction projects, pay fees in connection with activities that discharge waste materials, properly manage and dispose of hazardous substances, and impose fines and other penalties on activities that threaten the environment. For further information on the environmental laws, rules and regulations governing our operations, please refer to the section headed "REGULATIONS – ENVIRONMENTAL PROTECTION" in this prospectus.

The primary waste generated from our production process are air emissions, liquid waste and solid waste, which are treated in compliance with all applicable environmental laws, regulations and rules. For instance, we have a sewage system with waste water processing equipment in each of our production plants. We have also installed dust removers in our production plants to purify the waste gas before emission, and have engaged qualified contractors to remove the solid waste generated during

the production process. Moreover, we conduct annual inspections of our production facilities to ensure the compliance of relevant laws and regulations on environmental protection. The annual cost for compliance with the relevant environmental laws, rules and regulations, which comprised sewage treatment fee, for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 were approximately RMB0.1 million, RMB0.1 million, RMB0.1 million and RMB0.1 million, respectively. Our Directors expect that we will continue to incur costs of similar amounts for compliance with such laws, rules and regulations in the future.

Based on the confirmation letters issued by the Bureau of Environmental Protection and Urban Administration of Guangzhou Economic Development Zone on 16 April 2013 and by the Bureau of Environmental Protection of Tongliao on 27 May 2013, both of which are competent authorities in charge of environmental protection matters. As confirmed by our PRC Legal Advisers, we are in compliance with all relevant national or local environmental laws and regulations in the PRC in all aspects and have obtained all permits, approvals and certificates required under PRC law in relation to environmental protection. In addition, according to these confirmation letters, these authorities are not aware of any non-compliance on our part with applicable PRC environmental laws and regulations as of the date of the confirmation letters. Our Directors are of the view that the annual cost of compliance with applicable PRC environmental laws, regulations and policies was not material during the Track Record Period. We believe that the expected cost of compliance will not be material going forward.

Our operations are subject to a number of regulatory requirements with respect to employee health and safety. Please see the section headed "REGULATIONS – OCCUPATIONAL HEALTH AND SAFETY" in this prospectus for more details. We regard occupational health and safety as one of our important social responsibilities. We have implemented safety guidelines at our production facilities and require all employees to strictly comply with such requirements. In particular, we have established a designated safety supervision team to formulate the safe production development and accident prevention implementation policy for all of our production plants. We also have a safety inspection team at each production plant to implement such safety measures. We carry out regular and random safety checks on our production facilities to ensure that such facilities are thoroughly tested and are safe for use. We provide new employee orientation training and regular training sessions which include accident prevention and management. We provide medical checks to our employees on a regular basis and employees with contagious diseases are not allowed to involve in our production. In addition, we require operators of our production facilities to attend training sessions on the required safety standards. Our Directors have confirmed that during the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable PRC laws and regulations in relation to employee health and safety, including GMP certification requirements. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any major accidents that resulted in the death or serious injury of our employees.

INSURANCE

Our insurance coverage includes social security insurance for all of our employees, product delivery insurance, vehicle insurance and personal accident insurance for some of our employees. We do not maintain product liability insurance nor business interruption insurance, nor insurance for key-employees, as this is not a common industry practice in the PRC. Furthermore, we do not maintain insurance relating to the transportation of products during distribution as this cost is borne by our third party distributors. We consider our current insurance coverage to be adequate, as it complies with PRC laws and regulations and is in accordance with the industry practice.

COMPLIANCE

Permits, licences and approvals

As a manufacturer of pharmaceutical products, we are subject to laws, regulations and supervision by different levels of regulatory authorities and are required to maintain various licences, permits and approvals in order to operate our facilities and conduct our business. A summary of such relevant PRC laws and regulations which our business operations are subject to is set out in the section headed "REGULATIONS" in this prospectus. As confirmed by our PRC Legal Advisers, we have obtained all relevant licences, permits and approvals for our business operations in the PRC and such licences, permits and approvals were valid and remain in effect as of the Latest Practicable Date and we have complied with all material rules and regulations applicable to our business during the Track Record Period and up to the Latest Practicable Date.

Anti-corruption compliance

Since the early 1990s, the PRC government has issued various laws and regulations with respect to commercial bribery. In 1993, the NPC adopted the PRC Anti-Unfair Competition Law, which became effective on 1 December 1993 and provided that a business operator would commit a crime if it offered money or any other bribes in the course of selling or purchasing products. On 15 November 1996, the SAIC issued the Interim Provisional Regulations on the Prohibition of Commercial Bribery, which provided that the act of commercial bribery included offering money, goods, all kinds of free tours, and unrecorded rebate and sales commission in secret to any person when selling or buying products. Violations to such regulations by a business operator are subject to fines in an amount ranging from RMB10,000 to RMB200,000 and confiscation of illegal gains. In addition, any offer of property to any government officials for the purpose of seeking illegitimate gain or interest is considered a crime under the PRC Criminal Law and becomes punishable by the relevant PRC governmental authorities.

For the avoidance of any violation to the aforesaid anti-corruption requirements by our employees, we have taken measures to regulate the conduct of our marketing representatives and tighten our sales and finance management system. These measures include undertaking regular inspection on sales and finance matters, closely monitoring the marketing activities of our marketing representatives, establishing internal policies for approving reimbursement of marketing, entertainment, travelling and accommodation expenses incurred by our marketing representatives, and providing training to our marketing representatives on our internal guidelines on expenditures and reimbursement and to increase their awareness of relevant anti-corruption laws and regulations, as well as bribery-related acts. To prevent our third party distributors and sub-distributors from engaging in corruption, bribery, or other improper conduct, we take into account the compliance history of the third party distributors and sub-distributors during our distributors selection process. In addition, our third party distributors and sub-distributors are required under their agreements with us to comply with all applicable laws and regulations and restrain from inappropriate conduct and shall compensate us for any damages to our image or reputation as a result of their illegal or inappropriate conducts, while our marketing representatives are also responsible for emphasizing to our third party distributors and sub-distributors our anti-corruption policy and overseeing their activities through routine follow-ups. We also set up a compliant hotline for the public to collect information in relation to any corruption, bribery, or other improper conduct of our employees, third party distributors, or sub-distributors. Internally, our legal department is responsible for the enforcement of the anti-corruption rules of our Group by conducting random inspections on our liaison points, and interviews with our marketing representatives, third party distributors and sub-distributors. Our legal department shall report to our senior management upon discovery of any corruption case or misconduct and report to the

regulatory authority where appropriate. Our Directors are of the view that such controls and measures are adequate to avoid the occurrence of corruption, bribery, or other improper conducts of our employees, third party distributors and sub-distributors.

During the Track Record Period and up to the Latest Practicable Date, we had been in compliance with the aforesaid anti-corruption requirements, and we were not aware of any non-compliance with such requirements by our Directors or employees. Further, to the best knowledge of our Directors, none of our third party distributors or sub-distributors was involved in any investigation or litigation in respect of non-compliance with such requirements during the Track Record Period and up to the Latest Practicable Date.

Legal proceedings

From time to time, we have been, and may in the future be, involved in arbitration, litigation or regulatory proceedings relating to contract disputes, labour disputes and other matters in the ordinary course of our business. However, as of the Latest Practicable Date, we were not a party to any legal, administrative or arbitration proceedings, and we were not aware of any such proceedings threatened against us that could have a material adverse impact upon our business, financial condition or results of operation.

COMPETITION

The pharmaceutical market in the PRC has grown rapidly in recent years. According to SMERI Report, the overall market size of the PRC pharmaceutical market grew from RMB786.3 billion in 2008 to RMB1,784.5 billion in 2012. The pharmaceutical manufacturing industry is highly competitive. According to SMERI Report, there were over 4,600 pharmaceutical manufacturers in the PRC as of 31 December 2011. We compete directly with pharmaceutical manufacturers producing the same type of products as ours and indirectly with those producing products with similar curative effects which can be used as substitutes to our pharmaceutical products. We also face competition when we expand into other markets, and when new competitors enter into our existing markets. Our competitors vary by product and, in certain cases, different competitors may have greater or lesser financial resources, marketing capabilities and/or market share by region in the PRC than us.

According to SMERI Report, we are the leading manufacturer of oral modern Chinese medicines for kidney disease in the PRC. Our uremic clearance granule consistently ranked first in the market of oral modern Chinese medicines for kidney disease in the PRC from 2008 to 2012 in terms of retail sales, commanding a market share of 24.1% in 2012. It has also consistently ranked among the top three in the market of kidney medicines in the PRC from 2008 to 2012 in terms of retail sales. Our competing products, haikunshenxi capsule (海昆腎喜膠囊) and ambrette capsule (黃葵膠囊), which ranked second and third in the market of oral modern Chinese medicines for kidney disease in the PRC in 2012, had market share of 21.3% and 15.5%, respectively, and the five products which commanded the largest market share in the same market had, in aggregate, a market share of 74.4% in 2012. It is unlikely that new products will be introduced to and materially change the current market of oral modern Chinese medicines for kidney disease in the PRC in the near future as it normally takes about three to five years for a pharmaceutical manufacturer to obtain the required approval for the production and sale of a pharmaceutical product. Please also refer to the section headed "INDUSTRY OVERVIEW – KIDNEY MEDICINES MARKET IN THE PRC – Oral modern Chinese medicines for kidney disease in the PRC" in this prospectus for further details. We believe that we have competitive advantages over our major competitors in the market of oral modern Chinese medicines for kidney disease in the PRC as our uremic clearance granule is the only product which has been recognised as a class two national Chinese medicine protection

type by the CFDA in accordance with the Chinese Medicine Type Protection Law (中藥品種保護條例) promulgated by the State Council of the PRC and listed in the National List of Essential Medicines, among the five products which commanded the largest market share in the market of oral modern Chinese medicines for kidney disease in the PRC in 2012.

According to SMERI Report, our gadopentetate dimeglumine injection had a market share of 17.1% and ranked third in the market of MRI medical contrast medium in the PRC in 2012 in terms of retail sales. The other gadopentetate dimeglumine injection manufacturers which ranked first and second in the same market had respective market share of 30.5% and 25.9% in 2012. The MRI medical contrast medium market in the PRC is centralised and the five products which commanded the largest market share in the same market had, in aggregate, a market share of 92.3% in 2012. Please also refer to the section headed "INDUSTRY OVERVIEW – MEDICAL CONTRAST MEDIUM MARKET IN THE PRC – MRI medical contrast medium" in this prospectus for further details. According to SMERI Report, gadopentetate dimeglumine injection, including those manufactured and sold by us, had a total market share of 78.4% in the MRI medical contrast medium market in the PRC in 2012. There are only five manufacturers which have obtained the production approval from CFDA for the manufacture and sale of gadopentetate dimeglumine injection in the PRC and only four of them, including us, are still manufacturing and selling such pharmaceutical product. Given the limited number of approved manufacturers in a high growing market and the competitive retail price of our gadopentetate dimeglumine injection, we believe that we will be able to compete with our competitors and maintain our market share in the future.

The pharmaceutical industry is characterised by strong product differentiation, inelastic demand and elastic supply. The entry barrier to set up and operate a pharmaceutical manufacturing business in the PRC is considered by our Directors to be high as substantial capital investment, strong research and development capability and extensive marketing network are required.

We believe that market participants in the PRC's pharmaceutical market generally compete in, among other things, product portfolio, curative effects of products, product quality, research and development capability, market positioning, and marketing and promotion.

We have been manufacturing our pharmaceutical products in accordance with GMP standards and our quality control procedures and standards. We conduct advanced pharmaceutical research and development to improve both the curative effects and production technologies of our existing products and introduce new products in therapeutic areas of significant potential market demand.

Most of the pharmaceutical products are purchased by medical institutions instead of the end users, and therefore, the sales channels of pharmaceutical products are different from other commodities. We have a strong marketing team and an extensive sales network built up by our third party distributors, both of which have established direct and close relationship with the hospitals, medical institutions and pharmacies.

We believe that our plans to enrich our product offering, extend our sales and distribution network and strengthen our marketing efforts, increase our brand recognition, further strengthen our research and development capabilities, expand our business through selective strategic acquisitions, investments or partnerships and expand our production capacity and enhance our production capability and supplemental ancillary facilities are crucial to maintaining our competitive advantages over our domestic and overseas competitors.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account Shares which may be taken up or acquired under the Global Offering and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Company and therefore regarded as our Substantial Shareholders under the Listing Rules, together with any other Shareholders beneficially owning more than 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Nature of interest and capacity	Number and class of securities[1]	Approximate percentage of shareholding
Guidoz[2]	Beneficial owner of our Company	160,050,000 Shares (L)	16.0%
Mr. YOUNG[2]	Interest of controlled corporation	160,050,000 Shares (L)	16.0%
Central Success[3]	Beneficial owner of our Company	195,000,000 Shares (L)	19.5%
Mr. AN[3]	Interest of controlled corporation	195,000,000 Shares (L)	19.5%
	Trustee and interest of controlled corporation[6]	7,140,975 Shares (L)	0.7141%
Double Grace[4]	Beneficial owner of our Company	120,000,000 Shares (L)	12.0%
Ms. LI[4]	Interest of controlled corporation	120,000,000 Shares (L)	12.0%
First Kind[5]	Beneficial owner of our Company	224,250,000 Shares (L)	22.43%
Hony Capital[5]	Interest of controlled corporation	224,250,000 Shares (L)	22.43%
Hony Capital Fund III GP, L.P.[5]	Interest of controlled corporation	224,250,000 Shares (L)	22.43%
Hony Capital Fund III GP Limited[5]	Interest of controlled corporation	224,250,000 Shares (L)	22.43%
Hony Capital Management Limited[5]	Interest of controlled corporation	224,250,000 Shares (L)	22.43%
Mr. John Huan ZHAO[5]	Interest of controlled corporation	224,250,000 Shares (L)	22.43%

Notes:

(1) The letter "L" denotes a person's long position in our Shares or shares of the relevant Group member.

(2) The entire issued share capital of Guidoz is legally and beneficially owned by Mr. YOUNG. By virtue of the SFO, Mr. YOUNG is deemed to be interested in all the Shares held by Guidoz.

(3) The entire issued share capital of Central Success is legally and beneficially owned by Mr. AN. By virtue of the SFO, Mr. AN is deemed to be interested in all the Shares held by Central Success.

(4) The entire issued share capital of Double Grace is legally and beneficially owned by Ms. LI. By virtue of the SFO, Ms. LI is deemed to be interested in all the Shares held by Double Grace. In addition, Wealthy Hero holds 3,409,800 Shares, representing 0.3410% interest in our issued share capital. Ms Li is the beneficial owner of 32.8248% equity interest in Wealthy Hero.

(5) The entire issued share capital of First Kind is legally and beneficially owned by Hony Capital. Hony Capital is controlled by its sole general partner, Hony Capital Fund III GP, L.P.. Hony Capital Fund III GP, L.P. is in turn controlled by its sole general partner, Hony Capital Fund III GP Limited. Hony Capital Fund III GP Limited is wholly owned by Hony Capital Management Limited, which is in turn owned as to 20.0% by Legend Holdings Limited (through its wholly-owned subsidiary, Right Lane Limited) and 80.0% by Mr. John Huan ZHAO (through Hony Managing Partners Limited, a company wholly owned by him). Legend Holdings Limited is ultimately owned as to 36.0% by the Chinese Academy of Sciences (whose interests in Legend Holdings Limited are held through its wholly-owned subsidiary, Chinese Academy of Sciences Holdings Co., Ltd.), 24.0% by 北京聯持志遠管理諮詢中心(有限合夥) (Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership), 20.0% by China Oceanwide Holdings Group Co. Ltd., 8.9% by 北京聯恒永信投資中心(有限合夥) (Beijing Lian Heng Yong Xin Investment Center Limited Partnership), 3.4% by Mr. LIU Chuanzhi (柳傳志), 2.4% by Mr. ZHU Linan (朱立南), 1.8% by Mr. NING Min (寧旻), 1.5% by Mr. HUANG Shaokang (黃少康),1.0% by Mr. CHEN Shaopeng (陳紹鵬) and 1.0% by Mr. TANG Xudong (唐旭東).

(6) The entire issued share capital of Assets Builder is held by Mr. AN. Only 18.8324% interest in Assets Builder is beneficially owned by Mr. AN. The remaining interests in Assets Builder are held by Mr. AN as a trustee for 17 employees or ex-employees of GZ Consun. Therefore, Mr. AN is also deemed to be interested in all the Shares held by Assets Builder under the provisions of SFO.

Save as disclosed herein, our Directors are not aware of any person (who are not our Directors or chief executive) who will, immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account Shares which may be taken up or acquired under the Global Offering and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Group other than our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

Background of various Substantial Shareholders

Guidoz

Guidoz is wholly owned by Mr. YOUNG as an investment vehicle holding 21.34% equity interest in our Company before the Global Offering and the Capitalisation Issue. The investment by Mr. YOUNG in our Group could be traced back to the establishment of GZ Consun in 1997. Mr. YOUNG is our non-executive Director and a Controlling Shareholder. For background information of Mr. YOUNG, please refer to the section headed "DIRECTORS AND SENIOR MANAGEMENT" in this prospectus.

Central Success

Central Success is wholly owned by Mr. AN as an investment vehicle holding 26.0% equity interest in our Company before the Global Offering and the Capitalisation Issue. The investment by Mr. AN could be traced back to 2008 when Kangsheng, of which Mr. AN holds 18.8324% equity interest, acquired 0.95213% equity interest in GZ Consun from Qian'an. Mr. An is our chairman, an executive Director and a Controlling Shareholder. For background information of Mr. AN, please refer to the section headed "DIRECTORS AND SENIOR MANAGEMENT" in this prospectus.

Double Grace

Double Grace is wholly owned by Ms. LI as an investment vehicle holding 16.0% equity interest in our Company before the Global Offering and the Capitalisation Issue. The investment by Ms. LI Qian in our Group could be traced back to 2002 when Ms. LI acquired 6.0% equity interest in GZ Consun from Cannopus through Qian'an, its indirect wholly owned subsidiary. Ms. LI is our executive Director and chief executive officer. For background information of Ms. LI, please refer to the section headed "DIRECTORS AND SENIOR MANAGEMENT" in this prospectus.

First Kind

First Kind is wholly owned by Hony Capital as an investment vehicle holding 29.9% equity interest in our Company before the Global Offering and the Capitalisation Issue.

Hony Capital is an investment fund which is structured as an exempted limited partnership established in the Cayman Islands. Hony Capital is principally engaged in investments across a broad range of sectors including financial services, consumer industry, infrastructure, pharmaceuticals and franchising, as well as both light and heavy industries in the PRC.

Hony Capital is controlled by its sole general partner, Hony Capital Fund III GP, L.P. Hony Capital Fund III GP, L.P. is in turn controlled by its sole general partner, Hony Capital Fund III GP Limited. Hony Capital Fund III GP Limited is wholly owned by Hony Capital Management Limited, which is in turn owned as to 20.0% by Legend Holdings Limited (through its wholly-owned subsidiary, Right Lane Limited) and 80.0% by Mr. John Huan ZHAO (through Hony Managing Partners Limited, a company wholly owned by him). Legend Holdings Limited is ultimately owned as to 36.0% by the Chinese Academy of Sciences (whose interests in Legend Holdings Limited are held through its wholly-owned subsidiary, Chinese Academy of Sciences Holdings Co., Ltd.), 24.0% by Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership, 20.0% by China Oceanwide Holdings Group Co. Ltd., 8.9% by Beijing Lian Heng Yong Xin Investment Center Limited Partnership, 3.4% by Mr. LIU Chuanzhi, 2.4% by Mr. ZHU Linan, 1.8% by Mr. NING Min, 1.5% by Mr. HUANG Shaokang,1.0% by Mr. CHEN Shaopeng and 1.0% by Mr. TANG Xudong.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Mr. YOUNG, Mr. AN and Ms. LI, as the Concerted Group, have, since 1 January 2002, directly and indirectly controlled more than 50.0% voting rights in aggregate in GZ Consun. The Concerted Group will be beneficially interested in approximately 47.8% of our entire issued share capital after the completion of the Reorganisation, Global Offering and Capitalisation Issue (taking into no account of any Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme). The Concerted Group is considered to act as a group of Controlling Shareholders. For details, please refer to the section headed "HISTORY, REORGANISATION AND CORPORATE STRUCTURE – OUR CORPORATE HISTORY UP TO THE REORGANISATION – Concerted Group of Controlling Shareholders" in this prospectus.

Upon Listing, each of Mr. YOUNG, Mr. AN, Ms. LI, Guidoz, Central Success and Double Grace will be a Controlling Shareholder under the Listing Rules.

Apart from our Group, our Controlling Shareholders and their respective associates hold interest and position in certain companies which are engaged in businesses not in competition with the businesses of our Group. As we are principally engaged in the research, manufacturing and sale of modern Chinese medicines and medical contrast medium, our Directors are of the view that there are clear delineations between our principal businesses and the businesses owned by our Controlling Shareholders and their respective associates.

None of our Controlling Shareholders, their respective associates or our Directors is engaged in any business which competes or is likely to compete, either directly or indirectly, with the business of our Group. To ensure that competition will not exist in the future, our Controlling Shareholders have entered into the Deed of Non-Competition with us to the effect that each of them will not, and will procure each of their respective associates not to, directly or indirectly participate in, or hold any right or interest or otherwise be involved in, any business which may be in competition with our businesses.

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders (collectively, the "**Non-Competing Covenantors**") has entered into a deed of non-competition ("**Deed of Non-Competition**") in favor of our Company, pursuant to which the Non-Competing Covenantors have irrevocably and severally (but not jointly and severally) undertaken to our Company (for itself and for the benefit of each of the members of our Group) that with effect from the date of Listing and for as long as our Shares remain so listed on the Stock Exchange and our Controlling Shareholders are individually or collectively with any of his/its associates interested directly or indirectly in not less than 30.0% of the issued ordinary share capital of our Company (the "**Restricted Period**"), the Non-Competing Covenantors or their respective associates shall not, (i) directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business (whether as owner, director, operator, licensor, licensee, partner, shareholder, joint venturer, employee, consultant or otherwise) in competition with or likely to be in competition with the existing business carried on by our Group (the "**Restricted Business**"); and (ii) directly or indirectly take any action which constitutes an interference with or a disruption of the Restricted Business including, but not limited to, (a) solicitation of any existing or then existing employees of our Group for employment by them or their associates (excluding our Group); (b) solicitation of any current or then current customers and/or suppliers and/or former customers and/or suppliers of our Group for the preceding 6 months at the relevant time away from our Group; and (c) without the consent from our Company, making use of any information pertaining to the business of our Group which may have come to their knowledge in their capacity as Substantial Shareholders for the purpose of engaging, investing or participating in any Restricted Business .

Each of the Non-Competing Covenantors severally (but not jointly and severally) undertakes to our Company (for itself and for the benefit of each of the members of our Group) that, in respect of any order or any part of it undertaken or proposed to be undertaken by him/her or his/her associates for the Restricted Business, it shall and shall procure that his/her associates shall, unconditionally use reasonable endeavours to procure that such customer(s) to appoint or contract directly with any member of our Group for the Restricted Business under the relevant order.

The aforesaid undertaking does not apply with respect to the holding of or being interested in, directly or indirectly, any shares in any company which conducts or is engaged in, directly or indirectly, any Restricted Business, provided that:

(a) such shares are listed on a recognised stock exchange;

(b) the total number of such shares held by any of the Non-Competing Covenantors and/or their respective associates does not amount to more than 5.0% of the issued shares of that class of such company in question; and

(c) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10.0% of that company's consolidated turnover or consolidated assets (individually or collectively with their respective associates) as shown in that company's latest audited accounts.

The Non-Competing Covenantors have further undertaken to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the "**New Opportunity**") identified by or offered to the Non-Competing Covenantors and/or any of their associates (other than members of our Group) (the "**Offeror**") is first referred to us in the following manner:

(a) the Non-Competing Covenantors are required to, and shall procure their associates (other than members of our Group) to, refer, or procure the referral of, the New Opportunity to us, and shall give written notice to us of any New Opportunity containing all information reasonably necessary for us to consider whether (i) the New Opportunity would constitute competition with our core business and/or any other new business which our Group may undertake at the relevant time, and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the "**Offer Notice**"); and

(b) the Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from us declining the New Opportunity and confirming that the New Opportunity would not constitute competition with our core business, or (ii) the Offeror has not received the notice from us within 10 Business Days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror will refer to the New Opportunity as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will seek opinions and decisions from a committee of our Board consisting of Directors who do not have a material interest in the matter as to whether (a) such New Opportunity would constitute competition with our core business, and (b) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunity.

Each of the Non-Competing Covenantors jointly and severally undertakes to indemnify and keep indemnified our Group against any damage, loss or liability suffered by our Company or any other member of our Group arising out of or in connection with any breach of its undertakings and/or obligations under the Deed of Non-Competition, including any costs and expenses incurred as a result of such breach provided that such indemnity shall be without prejudice to any other rights and remedies our Company is entitled to in relation to any such breach, including specific performance, and all such other things and remedies are hereby expressly reserved by our Company.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

(1) our independent non-executive Directors will review, on an annual basis, the Deed of Non-Competition to ensure compliance with the non-compete undertaking by our Controlling Shareholders;

(2) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;

(3) our Company will disclose decision and its basis on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition in the annual reports of our Company; and

(4) our Controlling Shareholders will provide confirmation on compliance pursuant to their undertaking under the Deed of Non-Competition in the annual report of our Company.

INDEPENDENCE OF MANAGEMENT, FINANCING AND OPERATION

Having considered the following factors, our Directors are satisfied that our Group will be able to be operationally and financially independent from our Controlling Shareholders and their associates:

Non-competition – although there are certain businesses owned by our Controlling Shareholders as mentioned above in this section, none of our Controlling Shareholders or their respective associates has any interest in a business which competes or is likely to compete, either directly or indirectly, with our Group's business. In addition, each of our Controlling Shareholders has given a non-competition undertaking in favor of us. For details, please refer to the paragraph headed "NON-COMPETITION UNDERTAKINGS" in this section.

Management independence – Our Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. Despite the interest of our Controlling Shareholders in certain businesses outside our Group, we consider that our Board will function independently from our Controlling Shareholders because:

(a) each Director is aware of his fiduciary duties as a Director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;

(b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions; and

(c) our Board comprises nine Directors and three of them are independent non-executive Directors, which represents one-third of the members of the Board. This is in line with the Listing Rules.

Financial independence – Our Group has an independent financial system and makes financial decisions according to its own business needs. As of 31 December 2010, 2011 and 2012 and 30 June 2013, amounts due to Cannopus, a company controlled by Mr. YOUNG, one of our Controlling Shareholders, amounted to RMB2.8 million, RMB96.0 million, RMB96.0 million and RMB85.9 million, respectively primarily representing the dividends payable to Cannopus. Such amounts are non-trade in nature, unsecured, interest free and have no fixed terms of repayment, and will be settled by our internal resources before Listing. Our cash and cash equivalents as of 30 June 2013 amounted to approximately RMB200.9 million. Our Directors consider that the settlement of such amounts will not materially and adversely affect our operation and financial condition. For further details, please refer to the section headed "FINANCIAL INFORMATION – RELATED PARTY TRANSACTIONS" of this prospectus. As at 31 December 2012, GZ Consun provided a financial guarantee in favor of Central Success, one of our Controlling Shareholders, in connection with a banking facility which was secured by pledged deposits and bills receivable of GZ Consun of RMB76,470,000 and RMB63,351,000, respectively. The financial guarantee provided by GZ Consun to Central Success was released in March 2013. For further details, please refer to note 25(b) to our consolidated financial statements included in Appendix I to this prospectus. In the circumstances, we believe we are capable of obtaining financing from third parties without reliance on our Controlling Shareholders.

Operational independence – Our Group has an independent work force to carry out our operation and has not shared its operation team with our Controlling Shareholders' businesses outside our Group. Although during the Track Record Period, there have been certain transactions between us and our related parties, details of which are set out in note 25 in the Accountant's Report, our Directors have confirmed that these related party transactions were conducted on fair and reasonable normal commercial terms. None of the historical related party transactions with the Connected Persons are expected to continue after the Listing.

CONNECTED TRANSACTIONS

We have not entered into any transactions with our Connected Persons which will continue following the Listing and which will constitute non-exempt continuing connected transactions within the meaning of the Listing Rules.

DIRECTORS

Our Board consists of nine members, three of whom are independent non-executive Directors. The power and duties of our Board include convening shareholders' meetings and reporting our Board's work at shareholders' meetings, implementing resolutions passed at shareholders' meetings, determining our Group's business plans and investment plans, formulating our Group's annual budget and financial statements, formulating proposals for profit distributions and for the increase or reduction of share capital as well as exercising other powers, functions and duties as conferred by the Memorandum and Articles of Association. All our Directors have entered into service contracts or letters of appointment with our Group.

The following table sets forth information regarding our current Directors.

Name	Age	Position	Responsibilities	Director's Appointment Date
Mr. AN Yubao (安郁寶先生)	70	Chairman and executive Director	corporate strategic planning and overall business development of our Group	24 January 2011
Ms. LI Qian (黎倩女士)	48	Executive Director and chief executive officer	formulating and implementing our corporate strategies, overseeing our overall business development and production, marketing, developing products and implementing operation plans and participating in the day-to-day management of our business operations	24 December 2012
Professor ZHU Quan (朱荃教授)	73	Executive Director	developing products and participating in the day-to-day management of our business operations	24 December 2012
Mr. YOUNG Wai Po, Peter (楊惠波先生)	70	Non-executive Director	attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations	24 December 2012

Name	Age	Position	Responsibilities	Director's Appointment Date
Mr. WANG Shunlong (王順龍先生)	49	Non-executive Director	attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations	24 December 2012
Mr. WANG Zi Han (王紫翰先生)	59	Non-executive Director	attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations	24 December 2012
Mr. SU Yuanfu (蘇元福先生)	67	Independent non-executive Director	attending meetings of our Board to perform duties as a Board member, chairman of our nomination committee and member of our remuneration committee	2 December 2013
Mr. FENG Zhongshi (馮仲實先生)	54	Independent non-executive Director	attending meetings of our Board to perform duties as a Board member, chairman of our renumeration committee and member of our audit committee	2 December 2013
Ms. CHENG Xinxin (成欣欣女士)	60	Independent non-executive Director	attending meetings of our Board to perform duties as a Board member, chairman of our audit committee and member of our nomination committee	2 December 2013

Executive Directors

Mr. AN Yubao (安郁寶) (formerly known as Mr. AN Yushi (安郁室)), aged 70, is our chairman and an executive Director and a Controlling Shareholder. He was appointed as our Director with effect from 24 January 2011. He is also the chairman of GZ Consun, Consun (Inner Mongolia) and Kangyuan and a director and the legal representative of Consun Research. Mr. AN is primarily responsible for the overall management, operations, investment and the charting and reviewing of corporate directions and strategies of our Group.

Mr. AN has over 10 years of experience in medical education and approximately 17 years of experience in the business of the pharmaceutical industry. He has served various key positions, such as executive director, chairman and legal representative of GZ Consun since its establishment. Mr. AN served as the vice chairman of 廣東南方李錦記商貿信息中心 (Guangdong Southern Lee Kum Kee Commercial Information Centre) from November 1995 to February 1999. From July 1996 to December 1998, Mr. AN started his career in the pharmaceutical industry by serving as the chairman and legal representative of 廣東南方李錦記營養保健品有限公司 (Guangdong Southern Lee Kum Kee Nutrition Health Products Co., Ltd.) representing 中國人民解放軍第一軍醫大學 (the First Military Medical University of the People's Liberation Army of the PRC) as one of its shareholders. Mr. AN served as the minister and vice president respectively of 南方醫科大學 (原中國人民解放軍第一軍醫大學) (Southern Medical University) (formerly known as the First Military Medical University of the People's Liberation Army of the PRC)) from November 1991 to August 2001 and served as the vice president of 中國人民解放軍濟南軍區總醫院 (Jinan Military General Hospital) from 1987 to 1988. Between 1981 and 1987, Mr. AN worked at various units of the PRC People's Liberation Army and was mainly responsible for hygiene and hospital management.

Mr. AN graduated from 中國人民解放軍後勤學院 (the Logistics College of the PRC People's Liberation Army of the People's Liberation Army of the PRC) in 1981 and majored in commanding. Mr. AN also obtained a master's degree in business administration from Asia International Open University (Macau) (now known as City University of Macau) in November 2007.

Mr. AN served as the chairman of GZ Consun representing the First Military Medical University of the People's Liberation Army of the PRC when GZ Consun was established jointly by Cannopus (beneficially owned and controlled by Mr. YOUNG since the date of its incorporation) and the First Military Medical University of the People's Liberation Army of the PRC in December 1997. Mr. AN has known Mr. YOUNG as business acquaintance since 1993, while he has known Ms. LI since they were colleagues at the First Military Medical University of the People's Liberation Army of the PRC in 1991.

Mr. AN once served as the chairman and legal representative of 珠海經濟特區方洲醫藥科技發展有限公司 (Zhuhai Special Economic Zone Fangzhou Pharmaceutical Technology Development Co., Ltd.), a company incorporated in the PRC. The business license of this company was revoked by 珠海市工商行政管理局 (Zhuhai City Administration of Industry and Commerce) in September 2003 due to the failure of the shareholders to make further capital conduction after the first installment thereof. To the best of Mr. AN's knowledge, information and belief and having made all reasonable enquiry, Mr. AN confirmed that there is no contingent liabilities in respect of the above company and the revocation of its business licence. As confirmed by our PRC Legal Advisers, Mr. AN has no contingent liability in respect of the revocation of business license of above company.

Ms. LI Qian (黎倩), aged 48, is our executive Director and chief executive officer and a Controlling Shareholder. Ms. LI joined our Group in April 1998 as the associate director of general manager's office of GZ Consun. She was appointed as our Director with effect from 24 December

2012. Ms. LI has also served as a director and the general manager (which was redesignated as president in May 2008) of GZ Consun since November 1999, a director of Consun Medicine since November 2003, a director of Consun (Inner Mongolia) since December 2005 and a director of Kangyuan since October 2009. Ms. LI is primarily responsible for formulating and implementing the corporate strategies, overseeing production activities, business development, research and administrative management of our Group.

Ms. LI has over 8 years of experience in medical education and 15 years of experience in the business of pharmaceutical industry. Prior to joining our Group, Ms. LI worked at Southern Medical University, formerly known as the First Military Medical University of the People's Liberation Army of the PRC between October 1989 and April 1998.

Ms. LI obtained a master's degree in business administration at Asia International Open University (Macau) (now known as City University of Macau) in November 2007. Ms. LI was granted the award of 優秀民營企業家 (Excellent Private Entrepreneur) by Tongliao City People's Government of the PRC in July 2008, was recognised as Model Worker (勞動模範) by Inner Mongolia People's Government of the PRC in April 2010 and was recognised as 廣東省醫藥行業著名企業家 (Famous Entrepreneur in Pharmaceutical Industry of Guangdong Province) by 廣東省醫藥行業協會 (Guangdong Province Pharmaceutical Industry Association) in December 2011. She has been appointed as a member of 第一屆中國女醫師協會腎臟病及血液淨化專家委員會 (First Expert Committee for Kidney Disease and Blood Purify of China Medical Women's Association) since March 2012. Ms. LI is also a local registered pharmacist of Guangdong province (廣東省駐店藥師) recognised by 廣東省食品藥品監督管理局 (Guangdong Province Food and Drug Administration).

Professor ZHU Quan (朱荃), aged 73, is our executive Director. He was appointed as our Director with effect from 24 December 2012. Professor ZHU is also a director and the chief scientist of GZ Consun, a director of Kangyuan and the general manager of Consun Research. Professor ZHU joined our Group in August 2006 as the chief scientist of GZ Consun. Professor ZHU is primarily responsible for the product research and development of our Group.

Professor ZHU has over 30 years of experience in teaching and research at medical school and 6 years of experience in the business of pharmaceutical industry. Professor ZHU has served as professor and Ph.D. candidate supervisor at 澳門科技大學 (Macau University of Science and Technology) since September 2003. He served various positions, such as a deputy director of medicine department, a director of 國家規範化中藥藥理實驗室 (National Standardization Laboratory for Chinese Herbal Pharmacology), a Ph.D. candidate supervisor at 南京中醫藥大學 (Nanjing University of Chinese Medicine) between October 1981 and November 2005. Professor ZHU also served as an expert for 國家教育部科學技術委員會 (Science & Technology Commission of Ministry of Education), an assessment expert for 國家自然科學基金生命科學部 (the Life Science Department of National Natural Science Foundation) and a drug evaluation expert in Jiangsu Province and in the PRC.

Professor ZHU graduated from 中醫科學院 (China Academy of Traditional Chinese Medicine) (now known as 中國中醫科學院 (China Academy of Chinese Medical Sciences)) in November 1981 with a master's degree in pharmacology of traditional Chinese medicine.

Non-executive Directors

Mr. YOUNG Wai Po, Peter (楊惠波) (formerly known as Mr. YOUNG Wai Po (楊惠波)), aged 70, is our non-executive Director and a Controlling Shareholder. Mr. YOUNG is one of the co-founders of our Group. He was appointed as our Director with effect from 24 December 2012. Mr. YOUNG is also a director of GZ Consun, Consun (Inner Mongolia) and Kangyuan, respectively.

Mr. YOUNG has over 30 years of experience in enterprise management and investments, during which he established a number of companies carrying on businesses in the areas of travel and pharmaceutical products. Mr. YOUNG invested in Sunflower Travel Service Limited and Sunflower Air-Freight (Hong Kong) Limited in mid-70s and has served as the directors of both companies since December 1976 and September 1977, respectively. After years of growth and development, Sunflower Travel Service Limited has become one of the leading travel agents in Hong Kong. Leveraging on his past successful experience in growing and developing a business, Mr. YOUNG co-founded GZ Consun in December 1997 and served as its chairman until November 2012.

Mr. YOUNG was once the director of Zhuhai Special Economic Zone Fangzhou Pharmaceutical Technology Development Co., Ltd., a company incorporated in the PRC. The business license of this company was revoked by Zhuhai City Administration of Industry and Commerce on 29 September 2003 due to the failure of the shareholders to make further capital conduction after the first installment thereof.

Mr. WANG Shunlong (王順龍), aged 49, is our non-executive Director and joined our Group in June 2008. He was appointed as our Director with effect from 24 December 2012. Mr. WANG is also a director of a number of our subsidiaries, including GZ Consun, Kangyuan, Brilliant Reach, Century International, Grand Reach and Immense Value.

Mr. WANG has over 16 years of experience in finance, investment and enterprise management. Mr. WANG currently serves as the managing director of Hony Capital Limited. He also serves as an executive director of 石藥集團有限公司 (CSPC Pharmaceutical Group Limited) (formerly known as 中國製藥集團有限公司 (China Pharmaceutical Group Limited)) which is mainly engaged in pharmaceutical product development, production and sale and listed on the Stock Exchange (stock code: 1093). From September 1995 to May 1997, Mr. WANG served successively as sales manager and assistant general manager in 航科技術開發有限公司 (CASIL Research & Development Co., Ltd.). Between May 1997 and December 2004, he worked at 上海實業醫藥科技(集團)有限公司 (SIIC Medical Science and Technology (Group) Ltd.) whereas his last position was head of strategic department. Between 31 July 2003 and 5 October 2010, Mr. Wang served as an independent non-executive Director of MRC Holdings Limited (now known as 中裕燃氣控股有限公司 Zhongyu Gas Holdings Limited), a company which was listed on the Growth Enterprise Market of the Stock Exchange (the then stock code: 8070) and has been transferred to the Main Board of the Stock Exchange (current stock code: 3633). Mr. WANG joined Hony Capital Limited in January 2005 as a director and was promoted to managing director in December 2007.

Mr. WANG graduated from 清華大學 (Tsinghua University) in July 1985 with a bachelor's degree in engineering and subsequently in April 1991 with a doctorate degree in engineering.

Mr. WANG once served as the chairman of the board of directors of 海南先毅藥物研究有限公司 (Hainan Xianyi Pharmaceutical Research Co., Ltd.), a company incorporated in the PRC. Since this company no longer carried on business and did not conduct the annual inspection, its business license was revoked by 海南省工商行政管理局 (Hainan Province Administration of Industry and Commerce) in February 2011. To the best of Mr. WANG's knowledge, information and belief and having made all reasonable enquiry, Mr. WANG confirmed that there is no contingent liabilities in respect of the above company and the revocation of its business licence. As confirmed by our PRC Legal Advisers, Mr. WANG has no contingent liability in respect of the revocation of business license of above company.

Mr. WANG Zi Han (王紫翰) (formerly known as Mr. WONG Zi Han (王紫翰)), aged 59, is our non-executive Director and joined our Group in June 2008. He was appointed as our Director with effect from 24 December 2012. Mr. WANG is also a director of GZ Consun and Kangyuan.

Mr. WANG has accumulated over 15 years of experience in enterprise management. He has served as a director of Zijing since July 2011. From May 1992 to August 1999, Mr. WANG served successively as a deputy general manager, general manager and director of 深圳華源實業股份有限公司 (Shenzhen Huayuan Industrial Co., Ltd.) (now known as 沙河實業股份有限公司 (Shahe Industrial Co., Ltd.)), a company listed on the Shenzhen Stock Exchange (stock code: 000014). Mr. WANG served as a director and chairman in 深圳市海得威生物科技有限公司 (Shenzhen Haidewei Biotechnology Co., Ltd.) (now known as 深圳市中核海得威生物科技有限公司 (Shenzhen Zhonghe Haidewei Biotechnology Co., Ltd.) from September 2000 to February 2007. Between February 2001 and March 2003, he concurrently served as a director of Zijing.

Mr. WANG graduated from 蘭州大學 (Lanzhou University) in July 1983 with a bachelor's degree in history. He subsequently obtained a master's degree in engineering at 浙江大學 (Zhejiang University) in December 1992.

Independent non-executive Directors

Mr. SU Yuanfu (蘇元福), aged 67, is our independent non-executive Director. He joined our Group on 2 December 2013 when he was appointed as an independent non-executive Director.

Mr. SU graduated from 中國人民解放軍第四軍醫大學 (the Fourth Military Medical University of the People's Liberation Army of the PRC) in December 1969 and obtained a master's degree in radiopathology at the same university in December 1982. Mr. SU served various positions at the People's Liberation Army of the PRC. From January 1970 to August 1979, he served as a doctor at 西藏軍區總醫院 (General Hospital of Tibet Military Region). Between January 1984 and November 1995, Mr. SU served as the director of science and research office, the dean of academic affairs, the deputy superintendent and superintendent of the first affiliated hospital respectively at the Fourth Military Medical University of the People's Liberation Army of the PRC. From November 1995 to June 1998, he served as the director general of 總後勤部衛生部科訓局 (Technology Training Bureau of the Department of Health of the General Logistics Department). Between June 1998 and June 2004, Mr. SU served as the director of the department of medical administration and the deputy superintendent respectively at 解放軍總醫院 (the General Hospital of the People's Liberation Army). Mr. SU has been a standing director of 中國醫院協會 (Chinese Hospital Association) since October 2004.

Mr. FENG Zhongshi (馮仲實), aged 54, is our independent non-executive Director. He joined our Group on 2 December 2013 when he was appointed as an independent non-executive Director.

Mr. FENG is a lawyer qualified in the PRC. He is currently a partner of 北京市高界律師事務所 (Beijing Gao Jie Law Firm). He graduated from 中國政法大學 (China University of Political Science and Law) in July 1986 with a bachelor's degree in law. From July 1986 to January 1993, Mr. FENG worked at 內蒙古自治區司法廳 (the Department of Justice of Inner Mongolia Autonomous Region). He served as a lawyer at 內蒙古經濟律師事務所 (Inner Mongolia Jingji Law Office) (now known as 經世律師事務所 (Jingshi Law Office)) from 1993 to 1995. Between 1996 and 2002, Mr. FENG served as a partner at 內蒙古慧聰律師事務所 (Inner Mongolia Huicong Law Office). From 1996 to 2003, he also served as the head of legal department of 北京慧聰國際資訊有限國內公司 (Beijing Hui Cong International Information Co., Ltd.). Between 2002 and 2009, Mr. FENG served as a lawyer of 北京市中瑞律師事務所 (Beijing Zhong Rui Law Firm). Between June 2011 and January 2013, he served as a partner of 北京市金勵律師事務所 (Beijing Jin Li Law Firm).

Mr. FENG once served as a supervisor of 蘭州慧聰廣告有限公司 (Lanzhou Huicong Advertising Co., LTD) and 合肥市慧聰信息諮詢有限責任公司 (Hefei Huicong Information Consultation Co., Ltd.), both of which were incorporated in the PRC. Since the two companies no

longer carried on business and did not conduct the annual inspection, their business licenses were revoked by 蘭州市工商行政管理局 (Lanzhou City Administration of Industry and Commerce) in December 2003 and by 合肥市工商行政管理局 (Hefei City Administration of Industry and Commerce) in September 2005, respectively.

Ms. CHENG Xinxin (成欣欣), aged 60, is our independent non-executive Director. She joined our Group on 2 December 2013 when she was appointed as an independent non-executive Director.

Ms. CHENG is a senior accountant recognised by 廣東省人事廳 (Guangdong Province Human Resource Department). She has been a registered financial planner since September 2002, a member of the Association of Certified Business Administrators of the United Kingdom since March 2005, a member of the Chinese Institute of Certified Public Accountants since October 1994 and a fellow of the Institute of Public Accountants of Australia since December 2004. Ms. CHENG graduated form 暨南大學 (Jinan University) majoring in trade economy in July 1985. Ms. CHENG obtained a master's degree in business administration from Murdoch University in March 2000 and obtained a doctor of philosophy degree by distance learning from a joint degree programme with European University of Ireland, University of International Business and Economics and Institute of Cost and Executive Accountants in March 2005.

Ms. CHENG has been a director of 康元國際管理有限公司 (Kang Yuan International Consultant Limited) since November 2000, a director and president of 廣州萬方興泰顧問有限公司 (Allwell Company Limited) since February 2002, a director of 長城保險經紀有限公司 (Chang Cheng Insurance Brokers Limited) since June 2003, the chairman of 廣州市越秀區珠江文化教育培訓中心 (Pearl River Training Centre) since October 2003, a director of 廣州賽寶聯睿信息科技有限公司 (Guangzhou Saibao Lianrui Information Technology Company Limited) since November 2003 and the principal partner of 廣州興泰會計師事務所 (Guangzhou Xingtai Accounting Firm) since March 2005. From November 1994 to January 2001, Ms. CHENG successively served as a deputy general manager in the department of enterprise management, financial department and department of strategic development of 香港粵海企業集團公司 (Yuehai Enterprise Group Company). She served as a deputy general manager of 香港飛龍國際投資有限公司 (Flying Dragon International Investment Limited) between April 1993 and November 1994. Ms. CHENG served various positions, such as deputy section chief, section chief and deputy director of 廣東省財政廳 (Department of Finance of Guangdong Province) from July 1975 to April 1993. From May 2002 to May 2008, Ms. CHENG served as an independent director of 廣東電力發展股份有限公司 (Guangdong Electric Power Development Co. Ltd.), a company listed on Shenzhen Stock Exchange (stock code: 000539).

Save as disclosed, each of our Directors has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Ms. LI Qian (黎倩), aged 48, is our executive Director and chief executive officer. Biographical details of Ms. LI are set out in the paragraph headed "Directors" under this section.

Mr. GAO Haien (高海恩), aged 44, is our Board secretary and the board secretary of GZ Consun. Mr. GAO joined our Group in August 2007 as the board secretary of GZ Consun. Mr. GAO has been the legal representative of GZ Consun, Consun (Inner Mongolia) and Kangyuan since March 2013.

Prior to joining our Group, Mr. GAO successively served as a general manager of the accessories store and the assistant to headquarter general manager of 深圳市新亞工具連鎖店有限公司 (Shenzhen Sunyes Tools Co. Ltd.) from January 2006 to August 2007. Between July 1995 and January 2006, Mr. GAO successively served as a senior engineer of 萬威電子文儀廠 (IDT Data System Factory) and a technology manager of 深圳市奧美迪數碼科技有限公司 (Shenzhen Aomeidi Digital Technology Co. Ltd.).

Mr. GAO graduated from 中國礦業大學 (China University of Mining and Technology) in July 1992 with a bachelor degree in engineering and subsequently obtained a bachelor degree in economics at the same university in January 1994. He obtained a master's degree in business administration at 中南財經政法大學 (Zhongnan University of Economics and Law) in June 2012. Mr. GAO holds 證券業專業水平級別證書(二級) (Professional Certificate in Securities (Band II)) granted by 中國證券業協會 (Securities Association of China) and 董事會秘書資格證書 (Board Secretary Certificate) granted by the Shenzhen Stock Exchange. He is also a member of Hong Kong Securities and Investment Institute.

Mr. TANG Ning (唐寧), aged 47, is a vice president of GZ Consun. He has been the vice president of GZ Consun since June 2011. Mr. TANG joined our Group in July 1998 as a business manager. Between July 1998 and June 2011, Mr. TANG served various positions at GZ Consun, such as business manager, regional marketing manager, marketing director, and president assistant. Prior to joining our Group, Mr. TANG worked at 慈利縣百紡總公司 (Cili Baifang General Company Limited) between October 1987 and June 1998.

Mr. TANG graduated from 湖南商學院 (Hunan University of Commerce) in June 1986 majoring in marketing.

Mr. ZHOU Shangwen (周尚文), aged 43, is a vice president of GZ Consun. He has been the vice president of GZ Consun since July 2013. Mr. ZHOU joined our Group in April 2004 as a marketing manager for Guangdong province. Between April 2004 and September 2011, Mr. ZHOU served various positions at GZ Consun, such as regional marketing manager, marketing director for our kidney drugs and president assistant. Prior to joining our Group, Mr. ZHOU worked at 廣州市腦科醫院 (Guangzhou Brain Hospital) between July 1995 and March 1997. Between August 1997 and April 2004, Mr. ZHOU successively worked at 施維雅(天津)製藥有限公司 (Servier (Tianjin) Pharmaceutical Co., Ltd.).

Mr. ZHOU graduated from 北京醫科大學 (Beijing Medical University) (now known as 北京大學醫學部 (Peking University Health Science Center)) in July 1995 with a bachelor's degree in mental health.

Mr. YAO Bihua (姚畢華), aged 49, is the chief engineer of GZ Consun and concurrently serving as general manager of Kangyan and Consun (Inner Mongolia). Mr. YAO is primarily responsible for production management of our Group. Since Mr. YAO joined our Group in April 2007, he has served various positions, such as deputy general manager of GZ Consun and production director of our Group. Prior to joining our Group, Mr. YAO successively served as workshop director, engineer and chief engineer in 岳陽製藥一廠 (Yueyang First Pharmaceutical Factory) (now known as 岳陽中湘康神藥業集團有限公司 (Yueyang Zhongxiang Kangshen Pharmaceutical Group Company Limited)) between July 1986 and February 2004. From February 2004 to June 2005, he served as the production and technology director of 湖南津津製藥有限公司 (Hunan Jinjin Pharmaceutical Co., Ltd.). From September 2005 to April 2007, Mr. YAO served as the production and technology director and executive general manager respectively at 湖南和瑞生物科技有限公司 (Hunan Herui Biotechnology Company Limited). Between June 2006 and April 2007, he concurrently served as the vice president for production and technology at 湖南德瑞生物產業集團有限公司 (Hunan Derui Bio-industry Group Company Limited).

Mr. YAO graduated from 湖南中醫學院 (Hunan Institute of Chinese Medicine) in July 1986 with a bachelor's degree in Chinese medicine. He is also a senior engineer (高級工程師) recognised by 湖南省人事廳 (Hunan Province Human Resource Department) and a licenced pharmacist (執業藥師) in the PRC.

Mr. YAU Chi Ming (丘志明), aged 46, has been the chief financial officer and our company secretary since he joined our Group in March 2013. Mr. YAU is responsible for our finance and accounting affairs and our company secretarial matters of our Group and he has over 18 years of experience in finance and accounting. Mr. YAU is an independent non-executive Director of G-Prop (Holdings) Limited, a company listed on the Stock Exchange (stock code: 286). Prior to joining our Group, he worked at an international audit firm since May 1995 and served as a partner since July 2007. Mr. YAU graduated from The University of Hong Kong in December 1992 with a bachelor's degree in social sciences. Mr. YAU is a fellow of the Hong Kong Institute of Certified Public Accountants.

Save as disclosed, each of the senior management has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

COMPANY SECRETARY

Mr. YAU Chi Ming (丘志明), aged 46, is our company secretary and chief financial officer. Biographical details of Mr. YAU are set out in the paragraph headed "Senior Management" under this section.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company complies or intends to comply with the Corporate Governance Code in Appendix 14 to the Listing Rules, including but not limited to code provision A.4, which provides that there should be plans in place for orderly succession for appointments of new directors. Our three Board members, namely Mr. AN Yubao, Professor ZHU Quan and Mr. YOUNG Wai PO, Peter, are over 70 years old. Our Company has established succession planning to ensure a smooth transition of our Board, in particular, our executive directors, in the future.

Mr. AN Yubao and Ms. LI Qian have been the key leadership figures of our Group since the establishment of GZ Consun. Both of them have been primarily involved in formulating and implementing our corporate strategies and overseeing our overall business development and operation. Ms. LI Qian also leads a core management team comprising Professor ZHU Quan, our executive Director and the chief scientist of GZ Consun, Mr. TANG Ning, the vice president of GZ Consun, Mr. ZHOU Shangwen, the vice president of GZ Consun and three other senior management. Our Directors consider that Ms. LI Qian will be the best candidate to succeed Mr. AN Yubao as our chairman.

Save as our Board, our management team also consists of Mr. GAO Haien, being the board secretary of GZ Consun, Mr. TANG Ning, being the vice president of GZ Consun, Mr. ZHOU Shangwen, being the vice president of GZ Consun, Mr. YAO Bihua, being the chief engineer of GZ Consun and general manager of both Kangyuan and Consun (Inner Mongolia), Mr. YAU Chi Ming, being the chief financial officer and our company secretary, and various departmental directors. Our Directors consider that each of them will be a potential candidate to succeed Professor ZHU Quan as our executive Director. Professor ZHU Quan is primarily responsible for the product research and development of our Group. Professor ZHU Quan leads our in-house research and development team with the assistance of Dr. ZHENG Zhaoguang, who is the deputy general manager of Consun Research and has six years of experience in the research and development of

medicines. Our Directors consider that Dr. ZHENG Zhaoguang will be the ideal candidate to succeed Professor ZHU Quan to lead our in-house research and development team.

As Mr. YOUNG Wai PO, Peter, one of our non-executive Directors, does not participate in the daily management of our Group, our Directors consider that it will not be difficult to recruit replacement personnel with equivalent qualifications to succeed Mr. YOUNG Wai PO, Peter as our non-executive Director.

BOARD COMMITTEE

Audit committee

Our Company established an audit committee on 2 December 2013 with its written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to our Board.

Our audit committee consists of three members, being Ms. CHENG Xinxin, Mr. WANG Shunlong and Mr. FENG Zhongshi. Ms. CHENG Xinxin currently serves as the chairman of our audit committee.

Remuneration committee

Our Company established a remuneration committee on 2 December 2013 with its written terms of reference in compliance with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to evaluate the performance and make recommendations on the remuneration of our senior management and to recommend members of our Board.

Our remuneration committee consists of three members, being Mr. FENG Zhongshi, Ms. LI and Mr. SU Yuanfu. Mr. FENG Zhongshi currently serves as the chairman of our remuneration committee.

Nomination committee

Our Company established a nomination committee on 2 December 2013 with its written terms of reference by reference to the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

Our nomination committee consists of three members, being Mr. SU Yuanfu, Mr. AN and Ms. CHENG Xinxin. Mr. SU Yuanfu currently serves as the chairman of our nomination committee.

COMPLIANCE ADVISER

Our Company has appointed Messis Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our Company will consult the compliance adviser in the following circumstances:

(1) before the publication of any regulatory announcement, circular or financial report;

(2) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;

(3) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of operation of our Group deviate from any forecast, estimate, or other information in this prospectus; and

(4) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital immediately following completion of the Capitalisation Issue and the Global Offering:

Authorised Share Capital:		**HK$**
5,000,000,000	Shares of HK$0.1 each	500,000,000
Shares issued and to be issued, fully paid or credited as fully paid:		
10,000	Shares in issue at the date of this prospectus	1,000
749,990,000	Shares to be issued pursuant to the Capitalisation Issue	74,999,000
250,000,000	Shares to be issued pursuant to the Global Offering (excluding any Shares which may be issued pursuant to exercise of any options which may be granted under the Share Option Scheme)	25,000,000
Total		
1,000,000,000		100,000,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional.

The table takes no account of Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issuing Mandate given to our Directors to allot and issue or repurchase Shares as described below.

RANKING

The Offer Shares will rank *pari passu* in all respects with all other existing Shares in issue as mentioned in this prospectus, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus save for entitlements under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 2 December 2013. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10.0% of the Shares in issue on the Listing Date. Further details of the rules of the Share Option Scheme are set out in the section headed "APPENDIX V – STATUTORY AND GENERAL INFORMATION – Share Option Scheme" to this prospectus.

ISSUING MANDATE

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of (a) 20.0% of the aggregate nominal value of the share capital of our Company in issue as enlarged by the Global Offering and the Capitalisation Issue; and (b) the aggregate nominal value of the share capital of our Company which may be repurchased by our Company under the Repurchase Mandate.

Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Scheme. The aggregate nominal value of the Shares which our Directors are authorised to allot and issue under this Issuing Mandate will not be reduced by the allotment and issue of such Shares.

This Issuing Mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

whichever occurs first.

For further details of the Issuing Mandate, see the section headed "APPENDIX V – STATUTORY AND GENERAL INFORMATION – Resolutions in writing of the Shareholders passed on 2 December 2013" to this prospectus.

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10.0% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the Global Offering and the Capitalisation Issue.

This Repurchase Mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the paragraph headed "APPENDIX V – STATUTORY AND GENERAL INFORMATION – Securities repurchase mandate" to this prospectus.

This Repurchase Mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

whichever occurs first.

For further information about this Repurchase Mandate, please see the section headed "APPENDIX V – STATUTORY AND GENERAL INFORMATION – Resolutions in writing of the Shareholders passed on 2 December 2013" to this prospectus.

THE CORNERSTONE PLACING

As part of the International Offering, our Company and the Sole Bookrunner have entered into cornerstone investment agreements (the "**Cornerstone Investment Agreements**", each a "**Cornerstone Investment Agreement**") with the following investors (the "**Cornerstone Investors**", each a "**Cornerstone Investor**"), which has offered to, as described in detail below, purchase at the Offer Price the number of Offer Shares that may be purchased in an aggregate amount of HK$226.5 million.

Assuming an Offer Price of HK$4.00, being the mid-point of the stated Offer Price range set forth in this prospectus, the maximum number of International Offer Shares to be subscribed for by the Cornerstone Investors would be 56,625,000 Offer Shares, representing approximately 5.7% of the Shares in issue immediately upon the Capitalisation Issue and completion of the Global Offering. It also represents approximately 22.7% of the Offer Shares initially available under the Global Offering. Each of the Cornerstone Investors is an Independent Third Party, and will not be a substantial shareholder of our Company upon the Listing. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements for the cornerstone placing. Immediately upon the Capitalisation Issue and completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company.

The International Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the Shares in issue and will be counted towards the public float of our Company under Rule 8.24 of the Listing Rules. The International Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares to the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING – HONG KONG PUBLIC OFFERING – Number of Shares initially offered and their allocation" in this prospectus nor by any exercise of the Over-allotment Option.

OUR CORNERSTONE INVESTORS

We set forth below a brief description of the Cornerstone Investors:

Golden China Master Fund, Golden China Plus Master Fund and Greenwoods China Alpha Master Fund

Various funds managed by Greenwoods Asset Management Limited (namely Golden China Master Fund, Golden China Plus Master Fund and Greenwoods China Alpha Master Fund, collectively the "**Greenwoods Funds**"), have respectively agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Offer Shares) (exclusive of brokerage fee, Stock Exchange trading fee and SFC transaction levy) which may be purchased with an amount of HK$75.5 million (i.e. HK$226.5 million in aggregate for all the Greenwoods Funds) (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming the Offer Price of HK$3.63, being the low-end of the Offer Price range set out in this Prospectus, the total number of Offer Shares that the Greenwoods Funds would subscribe for would be 62,394,000, representing approximately 6.2% of the Shares in issue immediately following the Capitalisation Issue and completion of the Global Offering. Assuming the Offer Price of HK$4.00, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that the Greenwoods Funds would subscribe for would be 56,625,000, representing approximately 5.7% of the Shares in issue immediately following the Capitalisation Issue and completion of the Global Offering. Assuming the Offer Price

of HK$4.36, being the high-end of the Offer Price range set out in this prospectus, the total number of Offer Shares that the Greenwoods Funds would subscribe for would be 51,948,000, representing approximately 5.2% of the Shares in issue immediately following the Capitalisation Issue and completion of the Global Offering.

Each of the Greenwoods Funds is a fund incorporated in the Cayman Islands, and is managed by Greenwoods Asset Management Limited, an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law.

Each of the Greenwoods Funds primarily invests into companies that generate a significant portion of revenues and/or profits from the PRC, and listed in the PRC, Hong Kong, United States and other markets. Each of the Greenwoods Funds and Greenwoods Asset Management Limited is an Independent Third Party.

The announcement of results of allotment which is expected to be published on Wednesday, 18 December 2013 will disclose the shareholding of the Cornerstone Investors immediately upon the Capitalisation Issue and completion of the Global Offering.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent being satisfied or waived in accordance with the terms of the respective Cornerstone Investment Agreement:

(1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms, as subsequently varied or waived by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement;

(2) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated in accordance with its terms;

(3) the Listing Committee having granted approval for the listing of, and permission to deal in, our Shares and that such approval or permission have not been revoked;

(4) no laws shall have been enacted or promulgated by any governmental authority which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or the relevant Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(5) the respective representations, warranties, undertakings, confirmations, agreements and acknowledgements of the relevant Cornerstone Investor and the Company in the relevant Cornerstone Investment Agreement are accurate and true in all material respects and that there is no material breach of the relevant Cornerstone Investment Agreement on the part of the Company or the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each Cornerstone Investor has agreed that, among other things, without the prior written consent of each of the Company and the Sole Bookrunner, it will not, whether directly or indirectly, at any time during the period of six (6) months following the Listing Date, offer, pledge, charge, sell, lend, or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in the Offer Shares subscribed for by it pursuant to the relevant Cornerstone Investment Agreement or any securities convertible into or exercisable or exchangeable for, or that represent any rights to receive any such Shares, other than transfers to any wholly owned subsidiary of such Cornerstone Investor provided that such wholly owned subsidiary undertakes in writing to, and such Cornerstone Investor undertakes to procure such wholly owned subsidiary will, abide by the terms and restrictions on disposals of Shares imposed on the Cornerstone Investor.

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)	*RMB*		*RMB*		*RMB*		*RMB*		*RMB*	
Gross profit margin	*('000)*	*%*	*('000)*	*%*	*('000)*	*%*	*('000)*	*%*	*('000)*	*%*
							(Unaudited)			
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.

FUTURE PLANS

Please refer to the section headed "BUSINESS – OUR STRATEGIES" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds of the Global Offering (after deducting underwriting fees and estimated expenses of HK$102.5 million in connection with the Global Offering payable by us and by First Kind and us in relation to the Over-allotment Option, and assuming an Offer Price of HK$4.00 per Offer Share, being the mid-point of the indicative Offer Price range of HK$3.63 to HK$4.36 per Offer Share) will be approximately HK$897.5 million. We currently intend to apply such net proceeds in the following manner:

- approximately HK$359.0 million (equivalent to approximately 40% of our total estimated net proceeds) will be used for our infrastructure investment, including:

  – the construction of new production plant, warehouses and ancillary facilities in Guangzhou, Guangdong province, and the purchase and installation of production lines therein for production of medical contrast medium, in three phases:

    First phase: The production workshop in the new production plant which will house one production line for our gadopentetate dimeglumine injection which is expected to be completed by the end of 2013 and in full operation in the first half of 2014 when its annual production capacity of gadopentetate dimeglumine injection is expected to increase from approximately 10,000.0 litres to 39,000.0 litres.

    Second phase: The production workshop in the new production plant which will house one production line for our three newly developed CT medical contrast mediums with designed annual production capacity of approximately 499,000 litres which is expected to be completed by the end of 2014 and in full operation in the first half of 2015.

    Third phase: The ancillary facilities for the new production plant which are expected to be completed by the end of 2015.

  – the purchase and installation of new production facilities in the production plant in Tongliao, Inner Mongolia autonomous region for production of our uremic clearance granule and various other medicines. When the new production line of our uremic clearance granule is in full operation which is expected to be in the second half of 2015, our annual production capacity of uremic clearance granule is expected to increase from approximately 940.0 tonnes to 2,290.0 tonnes;

  – the purchase of quality control devices for the inspection centre in Tongliao, Inner Mongolia autonomous region;

  – the upgrading of our existing production lines for other medicines in Guangzhou, Guangdong province and Tongliao, Inner Mongolia autonomous region; and

  – the upgrading of our information system;

- approximately HK$179.5 million (equivalent to approximately 20% of our total estimated net proceeds) will be used for research and development activities in order to develop new products, including:

  – the recruitment of experts and staff for different aspects of in research and development;

  – the purchase of new research and development facilities and equipment;

  – the development of evidence-based practice (循証) for our uremic clearance granule;

  – the expansion of our scope of research and development activities to cover more symptoms; and

  – the acquisition of new research and development projects if suitable targets are identified;

- approximately HK$134.6 million (equivalent to approximately 15% of our total estimated net proceeds) will be used for expansion of our existing marketing and distribution networks to increase the level of our market penetration to cover more end-customers, such as county medical institutions and community and rural healthcare centres, and accordingly increase our market share, including:

  – the recruitment of marketing staff to consolidate our relationship with hospitals, medical institutions and pharmacies and to strengthen the medical practitioners' understanding of our pharmaceutical products;

  – the addition of our liaison points to expand our geographic coverage for marketing services, with a focus of expansion in the eastern, western and northern parts of the PRC; and

  – the organisation and sponsoring of national and regional academic conferences and seminars;

- approximately HK$134.6 million (equivalent to approximately 15% of our total estimated net proceeds) will be used for merger and acquisition of enterprises with traditional Chinese medicines planting capability, and those focus on oral modern Chinese medicines for kidney disease or medical contrast medium. We currently do not have any specific merger and acquisition plan or target and have not entered into any definitive agreement with any potential target; and

- approximately HK$89.8 million (equivalent to approximately 10% of our total estimated net proceeds) will be used for working capital and other general corporate purposes.

If the Offer Price is set at the high end of the indicative Offer Price range, being HK$4.36 per Offer Share, the net proceeds of the Global Offering will increase by approximately HK$86.4 million. If the Offer Price is set at the low end of the indicative Offer Price range, being HK$3.63 per Share, the net proceeds of the Global Offering will decrease by approximately HK$88.8 million. We will adjust the allocation of the net proceeds for the above purposes on a pro-rata basis.

Should our Directors decide to reallocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions in Hong Kong for so long as it is in our best interests. We will also disclose the same in the relevant annual report.

As advised by our PRC Legal Advisers, subject to the relevant PRC governmental approval, registrations and/or filings, the net proceeds of the Global Offering can be applied in the PRC according to the above intended use of the net proceeds under the relevant existing laws and regulations in the PRC by: (i) increasing the registered capital of our Company's subsidiaries in the PRC; (ii) establishing a new subsidiary in the PRC; (iii) acquiring equity interests in other companies in the PRC; and/or (iv) providing shareholder's loans to GZ Consun in an amount not exceeding the difference between the investment amount and the registered capital of such subsidiary.

We estimate that the aggregate net proceeds to be received by First Kind (after deducting underwriting fees payable by First Kind and assuming an Offer Price of HK$4.00 per Offer Share, being the mid-point of the indicative Offer Price range of HK$3.63 to HK$4.36 per Offer Share) will be approximately HK$145.5 million, assuming that the Over-allotment Option is exercised in full. We will not receive any of such proceeds.

HONG KONG UNDERWRITERS

Sole Bookrunner and Sole Lead Manager

BOCI Asia Limited

Co-manager

Huatai Financial Holdings (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

We are initially offering 25,000,000 Shares for subscription by the public in Hong Kong on the terms and subject to the conditions set out in this prospectus and the Application Forms. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten on a several basis, not jointly nor jointly and severally, by the Hong Kong Underwriters in accordance with their respective Underwriting Commitments (as defined in the Hong Kong Underwriting Agreement) set out in the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon, amongst other things:

(a) the Listing Committee granting listing of, and permission to deal in, all Offer Shares, all Shares in issue and all Shares to be issued pursuant to the Capitalisation Issue and any Shares which may be issued upon the exercise of any options to be granted under the Share Option Scheme;

(b) the International Underwriting Agreement having been duly executed and delivered and obligations of the International Underwriter thereunder having become unconditional, and the International Underwriting Agreement not having been terminated in accordance with its terms (save as regards any condition relating to the Hong Kong Underwriting Agreement having become unconditional); and

(c) certain other conditions set out in the Hong Kong Underwriting Agreement (including the Offer Price being agreed between our Company and the Sole Bookrunner (on behalf of the Underwriters)).

Grounds for termination

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination at any time prior to 8:00 a.m. on the Listing Date. The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) may in its sole and absolute discretion, upon giving notice orally or in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect upon the occurrence of any of the following events:

(a) there has come to the notice of the Sole Global Coordinator:

(i) that any statement contained in any of the web proof information pack, this prospectus, the Application Forms and the formal notice (including any supplement

or amendment thereto) or any other document to be published by the Company in connection with the Global Offering was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading, or that any forecasts, expressions of opinion, intention or expectation expressed in the web proof information pack, this prospectus, the Application Forms, formal notice and/or any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) are not fair and honest nor based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute an omission therefrom; or

(iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than any of the Hong Kong Underwriters or the International Underwriter); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the Warrantors (as defined in the Hong Kong Underwriting Agreement) pursuant to the indemnities referred to in the Hong Kong Underwriting Agreement; or

(v) any adverse change or development involving an adverse change or a prospective adverse change in the earnings, business, operations, assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of our Group; or

(vi) any breach of any of the Warranties (as defined in the Hong Kong Underwriting Agreement) or undertakings given by any of the Warrantors under the Hong Kong Underwriting Agreement or any matter or event showing any of such Warranties or undertakings to be untrue, incorrect, inaccurate or misleading in any respect when given or repeated; or

(vii) approval by the Listing Committee of the listing of, and permission to deal in, our Shares in issue and to be issued or sold under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws this prospectus (and any other documents used in connection with the contemplated subscription or purchase of the Offer Shares) or the Global Offering; or

(ix) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(x) any profit forecast which appears in any of the web proof information pack and this prospectus is or becomes incapable of being met or unlikely to be met;

(b) there develops, occurs, exists or comes into force:

(i) any act of force majeure or any event, or series of events, beyond the control of the Sole Global Coordinator including, without limitation, acts of government, economic

sanctions, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, acts of war, acts of God, acts of terrorism, outbreak of diseases or epidemics (including, but not limited to, SARS and H5N1 and such related/mutated forms) or interruption or delay in transportation and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or any other state of emergency or calamity or crisis in or affecting Hong Kong, the PRC, the United States, the European Union, the United Kingdom, the Cayman Islands, Japan, Singapore or any other jurisdiction relevant to any member of our Group (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change or development involving a prospective change or development, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or any monetary or trading settlement system or matters and/or disaster in the Relevant Jurisdictions (including, without limitation, any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the New York Stock Exchange or the London Stock Exchange, or a material devaluation of Hong Kong dollars or the Renminbi against any foreign currencies (including but not limited to a change in the system under which the value of the Hong Kong currency is linked to that of the United States), or any disruption in securities settlement or clearance services or procedures in or affecting any of the Relevant Jurisdictions); or

(iii) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions, or there is any disruption in commercial banking or securities settlement or clearance services in those jurisdictions; or

(iv) any new law or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(v) the imposition of economic sanctions, in whatever form, directly or indirectly, by the Relevant Jurisdictions; or

(vi) a change or development occurs involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (or the implementation of any exchange control) in any of the Relevant Jurisdictions adversely affecting an investment in our Shares; or

(vii) any litigation or claim of any third party being threatened or instigated against any member of our Group; or

(viii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(ix) the chairman or chief executive officer of our Company vacating his or her office in circumstances where the operations of our Group may be materially and adversely affected; or

(x) the commencement by any regulatory or political body or organisation of any action against a Director or an announcement by any regulatory or political body or organisation that it intends to take any such action; or

(xi) a contravention by any member of our Group of the Companies Ordinance or the Companies Law or any of the Listing Rules or applicable laws; or

(xii) a prohibition on our Company for whatever reason from allotting our Shares pursuant to the terms of the Global Offering; or

(xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription or purchase of our Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or

(xiv) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription or purchase of our Shares) pursuant to the Companies Ordinance or the Listing Rules; or

(xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(xvi) a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xvii) any change or prospective change, or a materialisation of, any of the risks set out in the section headed "RISK FACTORS" in this prospectus;

which in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

(aa) is or is likely to or will or may have material adverse effect on the business, financial, trading or other condition or prospects of our Company or our Group as a whole or, in the case of sub-paragraph (vi) above, to any present or prospective Shareholder in his/its capacity as such; or

(bb) has or will have or may have material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for, accepted, subscribed for or purchased or the distribution of Offer Shares or dealings in our Shares in the secondary market; or

(cc) makes it inadvisable, inexpedient or impracticable to proceed with or market the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated in this prospectus; or

(dd) would have the effect of making any part of the Hong Kong Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the Hong Kong Underwriting Agreement.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertaking by us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering, the Share Option Scheme and in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that except pursuant to the Global Offering, he/she/it will not and shall procure that the relevant registered holder(s) will not, without the prior written consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date ("**First Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would then cease to be our Company's controlling shareholder for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:

(a) when he/she/it pledges or charges any securities of our Company or interests therein beneficially owned by him/her/it in favour of any authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(b) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertaking by us

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to the Sole Global Coordinator and each of the Hong Kong Underwriters that we will not, and each of our Controlling Shareholders has undertaken to the Sole Global Coordinator and each of the Hong Kong Underwriters to procure that our Company will not, except pursuant to the Global Offering, the Capitalisation Issue and the Share Option Scheme, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement to the expiry of the First Six-month Period:

(a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to do any of the foregoing or announce any intention to do so, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise,

and in the event of us doing any of the foregoing during the period of six months immediately following the expiry of the First Six-month Period, we will, and each of our Controlling Shareholders will procure our Company to, take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to us, the Sole Global Coordinator and each of the Hong Kong Underwriters that, except pursuant to the Global Offering and the Stock Borrowing Agreement, none of our Controlling Shareholders will, and will procure that none of its Associates or companies controlled by it or any nominee or trustee holding in trust for it will, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the First Six-month Period:

(a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose

of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, owned directly or indirectly by it (including holding as a custodian) or with respect to which it has beneficial ownership (collectively the "**Lock-up Shares**") (the foregoing restriction is expressly agreed to preclude it from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than it. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or

(c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or

(d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in (a) or (b) or (c) above, whether any such transaction described in (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

Additionally, during the period of six months immediately following the expiry of the First Six-month Period, each of our Controlling Shareholders will not enter into any of the foregoing transactions in (a), (b), (c) or (d) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transaction, our Controlling Shareholders in aggregate will cease to be Controlling Shareholders of our Company.

Subject to the restrictions above, until the expiry of the period of six months immediately following the expiry of the First Six-month Period, if any of our Controlling Shareholders enters into any of the foregoing transactions in (a), (b), (c) or (d) above or agrees or contracts to, or publicly announces an intention to enter into any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in our Shares or other securities of our Company.

Underwriting by Hony Capital and First Kind

Each of Hony Capital and First Kind undertakes to the Sole Global Coordinator and each of the Underwriters that except pursuant to the Global Offering (including the exercise of the Over-allotment Option), at any time during the period from the date of the Hong Kong Underwriting Agreement until the date falling six months after the Listing Date (the "**First Kind First Six-month Period**"), it will not, and will procure that none of its Associates or companies controlled by it or any nominee or trustee holding in trust for it will, without the prior written consent of the Sole Global Coordinator (on behalf of the Underwriters) and unless in compliance with the Listing Rules:

(a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant

to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, owned directly or indirectly by them (including holding as a custodian) or with respect to which it has beneficial ownership (collectively the "**First Kind Lock-up Shares**") (the foregoing restriction is expressly agreed to preclude it from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the First Kind Lock-up Shares even if such Shares would be disposed of by someone other than it. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the First Kind Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or

(c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or

(d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (a), (b) or (c) above, whether any such transaction above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

Each of Hony Capital and First Kind further undertakes that subject to the restrictions set out above, until the expiry of the period of six months immediately after the expiry of the First Kind First Six-month Period, if it enters into any of the foregoing transactions described in paragraphs (a), (b), (c) or (d) above or agree or contract to or publicly announce any intention to enter into any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in our Shares or other securities of our Company.

Indemnity

We and each of our Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including, among other things, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the provisions of the Hong Kong Underwriting Agreement.

Commissions and expenses

The Hong Kong Underwriters will receive a gross commission of 3.0% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. In addition, our Company may, in our sole discretion, pay the Sole Global Coordinator an additional advisory fee of up to 1.0% of the Offer Price of the total Hong Kong Offer Shares. The commissions payable to the Sole Global Co-ordinator and the Hong Kong Underwriters will be borne by us. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering and any International Offer Shares reallocated from the International Offering to the Hong Kong Public

Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriter and not the Hong Kong Underwriters.

The aggregate commissions (exclusive of any discretionary incentive fees) as described above, together with listing fees, the SFC transaction levy and the Stock Exchange trading fee in respect of the Offer Shares, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to amount to approximately HK$102.5 million (assuming an Offer Price of HK$4.00, which is the mid-point of the indicative Offer Price range) in total and are payable by us and by First Kind and us (in relation to the Over-allotment Option).

Activities by syndicate members

We describe below a variety of activities that the Hong Kong Underwriters and International Underwriter (together referred to as "**Syndicate Members**") may each individually undertake, and which do not form part of the underwriting or the stabilising process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, all of them (except for BOCI and/or its affiliates and as the Stabilisation Manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have our Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to any issue by Syndicate Members or their affiliates of any listed securities having Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases.

All of these activities may occur both during and after the end of the stabilising period described in the section headed "STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING – STABILISATION" in this prospectus. These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriters' interests in us

Save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, none of the Hong Kong Underwriters has any shareholding interests in us or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in us.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

In connection with the Global Offering, we expect our Company and First Kind will enter into the International Underwriting Agreement with, amongst others, the International Underwriter. Pursuant to the International Underwriting Agreement, the International Underwriter, subject to certain conditions, will agree severally to subscribe and/or purchase or procure subscribers or buyers for the subscription or purchase of the International Offer Shares being offered pursuant to the International Offering.

First Kind will grant to the International Underwriter the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriter at any time from the day of the International Underwriting Agreement up to the day which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, to require First Kind to sell up to an aggregate of 37,500,000 Shares at the Offer Price to cover over-allocations in the International Offering.

Sole Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of (subject to the Over-allotment Option):

(a) the Hong Kong Public Offering of 25,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the paragraph headed "HONG KONG PUBLIC OFFERING"; and

(b) the International Offering of 225,000,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S. Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulations.

The International Underwriter is soliciting from prospective investors indications of interest in acquiring the International Offer Shares in the International Offering. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to the Price Determination Date.

The number of Hong Kong Offer Shares to be offered under the Hong Kong Public Offering and the number of International Offer Shares to be offered under the International Offering respectively may be subject to reallocation as described under the paragraph headed "PRICING AND ALLOCATION" below.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Sole Bookrunner (on behalf of the Underwriters) and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, 13 December 2013 and in any event, no later than Monday, 16 December 2013. The Offer Price will be not more than HK$4.36 per Offer Share and is expected to be not less than HK$3.63 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If, based on the level of interest expressed by prospective institutional and professional investors and other investors during the book-building process, the Sole Bookrunner (on behalf of the Underwriters and with the consent of our Company) considers the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range inappropriate, the Sole Bookrunner (on behalf of the Underwriters) may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging

applications under the Hong Kong Public Offering on Thursday, 12 December 2013, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also be available at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.chinaconsun.com**. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "SUMMARY" in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price if agreed upon, will be fixed within such revised Offer Price range. Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Our Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator. Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the listing of the Offer Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, and the basis of allocations of the Hong Kong Offer Shares and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section headed "HOW TO APPLY FOR HONG KONG OFFER SHARES – PUBLICATION OF RESULTS OF ALLOCATIONS" in this prospectus from Wednesday, 18 December 2013.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional upon:

(a) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering, Shares to be issued pursuant to the Capitalisation Issue and any Shares which may be issued upon the exercise of any options to be granted under the Share Option Scheme;

(b) our Company having submitted to the HKSCC all requisite documents to enable our Shares to be admitted to trade on the Stock Exchange;

(c) the offer price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriter under the International Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the agreement,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent that such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "HOW TO APPLY FOR HONG KONG OFFER SHARES" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering have become unconditional in all respects and (ii) the right of termination as described in the section headed "UNDERWRITING – UNDERWRITING ARRANGEMENTS AND EXPENSES – Hong Kong Public Offering – *Grounds for termination*" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

Number of Shares initially offered and their allocation

We are initially offering 25,000,000 Shares at the Offer Price, representing approximately 10% of the 250,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 2.5% of our total issued share capital immediately after completion of the Global Offering. In Hong Kong, individual retail investors are expected to apply for Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Offering will not be allocated Offer Shares in the Hong Kong Public Offering.

For allocation purposes only, the total number of Hong Kong Offer Shares initially available for subscription by the public under the Hong Kong Public Offering, on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service (subject to any adjustment of our Shares between the International Offering and the Hong Kong Public Offering) will be divided equally (to the nearest board lot) into two pools for allocation purposes: Pool A and Pool B. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with a total subscription amount of HK$5 million or below (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee payable). The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with a total subscription amount of more than HK$5 million (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total initial value of Pool B.

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. The applicant can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within Pool A or Pool B.

In the case of over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares. Multiple or suspected multiple applications and any application for more than 50% of the Hong Kong Offer Shares initially being offered for subscription by the public (that is, to apply for more than 12,500,000 Shares) are liable to be rejected.

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, or (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 75,000,000, 100,000,000 and 125,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as "**Mandatory Reallocation**". In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B in the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate. In addition to any Mandatory Reallocation which may be required, the Sole Global Coordinator may, at their sole discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Our Company, our Directors and the Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have received Shares in the International Offering and to identify and reject indications of interest in the International Offering from investors who have received Shares in the Hong Kong Public Offering.

The Offer Price will be not more than HK$4.36 and is expected to be not less than HK$3.63. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$4.36 per Offer Share plus 1.0% brokerage fee, 0.003% SFC transaction levy, and 0.005% Stock Exchange trading fee. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK$4.36, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "HOW TO APPLY FOR HONG KONG OFFER SHARES" in this prospectus.

INTERNATIONAL OFFERING

Number of Offer Shares offered and their allocation

The number of Shares to be initially offered for subscription and purchase under the International Offering will be 225,000,000 Shares (subject to adjustment and the Over-allotment Option), representing approximately 90% of the Offer Shares under the Global Offering.

The International Offering is subject to the Hong Kong Public Offering being unconditional. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, before taking into account any exercise of the Over-allotment Option, the International Offer Shares will represent approximately 22.5% of our total issued share capital immediately after completion of the Global Offering.

Pursuant to the International Offering, the International Underwriter will conditionally place our Shares with institutional and professional investors and other investors expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "PRICING AND ALLOCATION" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator in order to allow them to identify the relevant applications under the Hong Kong Public Offering and to consider whether it should be excluded from any application for Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

First Kind expects to grant the Over-allotment Option to the Sole Global Coordinator exercisable at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, being 11 January 2014. Pursuant to the Over-allotment Option, the Sole Global Coordinator will have the right to require First Kind to sell up to an aggregate of 37,500,000 Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering. These Shares will be issued at the Offer Price. We will make an announcement if the Over-allotment Option is exercised.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocation in connection with the Global Offering, the Stabilisation Manager may choose to borrow, whether on its own or through its affiliates and agents, up to 37,500,000 Shares from Central Success pursuant to a stock borrowing arrangement (being the maximum number of Shares which may be sold by First Kind upon exercise of the Over-allotment Option), or acquire Shares from other sources, including the exercise of the Over-allotment Option.

If such stock borrowing arrangement with Central Success is entered into, it will only be effected by the Stabilisation Manager or its agent for settlement of over-allocation in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with:

(a) the stock borrowing arrangement with Central Success will only be effected for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

(b) the maximum number of Shares to be borrowed from Central Success will be limited to the maximum number of Shares which may be sold by First Kind upon full exercise of the Over-allotment Option;

(c) the same number of Shares so borrowed (if any) must be returned to Central Success or its nominees (as the case may be), no later than three Business Days after the earlier of (i) the last day on which the Over-allotment Option may be exercised; and (ii) the day on which the Over-allotment Option is exercised in full;

(d) the stock borrowing arrangement will be effected in compliance with all applicable laws, Listing Rules and regulatory requirements; or

(e) no payments will be made to Central Success by the Stabilisation Manager, in relation to the stock borrowing arrangement.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilisation Manager and/or its affiliates and agents, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering being 11 January 2014. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilisation Manager or its agent to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilisation Manager and may be discontinued at any time. Any such stabilising activity is required

to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering, being 11 January 2014. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold by First Kind under the Over-allotment Option, namely 37,500,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules, Chapter 571W of the Laws of Hong Kong. Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; and (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in our Shares should note that:

(a) the Stabilisation Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;

(b) there is no certainty regarding the extent to which and the time period for which the Stabilisation Manager, or any person acting for it, will maintain such a long position;

(c) liquidation of any such long position by the Stabilisation Manager may have an adverse impact on the market price of our Shares;

(d) no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on 11 January 2014, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;

(e) the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and

(f) stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Stabilisation Manager may over-allocate up to and not more than an aggregate of 37,500,000 Shares and cover such over-allocations by the exercise of the Over-allotment Option, which will be exercisable by the Sole Global Coordinator, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Offering, the Stabilisation Manager may borrow up to 37,500,000 Shares from Central Success, equivalent to the maximum number of Shares to be sold by First Kind on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements.

No payments or other benefit will be made to Central Success by the Stabilisation Manager in relation to the stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 19 December 2013, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 19 December 2013.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Bookrunner (on behalf of the Underwriters) and us on the Price Determination Date.

We expect that we will, on or about Friday, 13 December 2013, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering.

The underwriting arrangements are summarised in the section headed “UNDERWRITING” in this prospectus.

HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions if thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an Associate of any of the above;
- a Connected Person of our Company or will become a Connected Person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for or indicate an interest in any International Offer Shares or otherwise participate in the International Offering.

APPLYING FOR HONG KONG OFFER SHARES

Which application method to use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 9 December 2013 to 12:00 noon on Thursday, 12 December 2013 from:

(a) any of the following offices of the Hong Kong Underwriters:

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
Unit 5808-5812, 58/F, The Center
99 Queen's Road Central
Hong Kong

(b) any of the branches of **Bank of China (Hong Kong) Limited**:

District	Branch Name	Address
Hong Kong	Bank of China Tower Branch	3/F, 1 Garden Road
	Connaught Road Central Branch	13-14 Connaught Road Central
	Sheung Wan Branch	252 Des Voeux Road Central
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing
Kowloon	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	Humphrey's Avenue Branch	4-4A Humphrey's Avenue, Tsim Sha Tsui
	Mei Foo Mount Sterling Mall Branch	Shop N47-49 Mount Sterling Mall, Mei Foo Sun Chuen
	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
The New Territories	Tai Po Branch	68-70 Po Heung Street, Tai Po Market
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 9 December 2013 until 12:00 noon on Thursday, 12 December 2013 from the Depository Counter of HKSCC at HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Lodging of completed Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to Bank of China (Hong Kong) Nominees Limited – Consun Pharmaceutical Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Monday, 9 December 2013 – 9:00 a.m. to 5:00 p.m.
Tuesday, 10 December 2013 – 9:00 a.m. to 5:00 p.m.
Wednesday, 11 December 2013 – 9:00 a.m. to 5:00 p.m.
Thursday, 12 December 2013 – 9:00 a.m. to 12:00 noon

The application lists will open from 11:45 a.m. to 12:00 noon on Thursday, 12 December 2013, the last application day or such later time as described in the paragraph headed "EFFECT OF BAD WEATHER CONDITIONS ON THE OPENING OF THE APPLICATIONS LISTS" in this section.

EFFECT OF MAKING AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Companies Ordinance and the Articles of Association;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(f) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(h) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the Laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** Service by you or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

APPLYING BY USING WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "WHO CAN APPLY FOR THE HONG KONG OFFER SHARES" in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for submitting applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m., Monday, 9 December 2013 until 11:30 a.m., Thursday, 12 December 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Thursday, 12 December 2013 or such later time under the paragraph headed "EFFECTS OF BAD WEATHER CONDITIONS ON THE OPENING OF THE APPLICATIONS LISTS" in this section.

No multiple applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "**CONSUN PHARMACEUTICAL GROUP LIMITED**" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang – Hong Kong Forest" project initiated by Friends of the Earth (HK).

APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System https://ip.ccass.com (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 9 December 2013 – 9:00 a.m. to 8:30 p.m.(1)
Tuesday, 10 December 2013 – 8:00 a.m. to 8:30 p.m.(1)
Wednesday, 11 December 2013 – 8:00 a.m. to 8:30 p.m.(1)
Thursday, 12 December 2013 – 8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m., on Monday, 9 December 2013 until 12:00 noon on Thursday, 12 December 2013 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 12 December 2013, the last application day or such later time as described in the paragraph headed "EFFECT OF BAD WEATHER CONDITIONS ON THE OPENING OF THE APPLICATION LISTS" in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed "PERSONAL DATA" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Hong Kong Underwriters, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 12 December 2013.

HOW MANY APPLICATIONS MAY YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the participants of the Sock Exchange, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING – PRICING AND ALLOCATION" in this prospectus.

EFFECT OF BAD WEATHER CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 12 December 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 12 December 2013 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "EXPECTED TIMETABLE" in this prospectus, an announcement will be made in such event.

PUBLICATION OF RESULTS OF ALLOCATIONS

Our Company expects to announce the Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, 18 December 2013 in the South China Morning Post (in English), in the Hong Kong Economic Times (in Chinese), on our Company's website at **www.chinaconsun.com** and on the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.chinaconsun.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than Wednesday, 18 December 2013;
- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m., Wednesday, 18 December 2013 to 12:00 midnight, Tuesday, 24 December 2013;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, 18 December 2013 to Saturday, 21 December 2013;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 18 December 2013 to Friday, 20 December 2013 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) Full discretion of our Company, the Sole Global Coordinator or our or their respective agents to reject your application:

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Offer Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) Other circumstances in which you will not receive any allotment:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$4.36 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING – CONDITIONS OF THE HONG KONG PUBLIC OFFERING" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 18 December 2013.

DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on Wednesday, 18 December 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid certificate of title at 8:00 a.m. on Thursday, 19 December 2013 provided that the Global Offering has become unconditional and the right of termination described in the section headed "UNDERWRITING" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal collection

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 18 December 2013 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 18 December 2013, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 18 December 2013, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 18 December 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(c) If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS Participant.

(d) If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "PUBLICATION OF RESULTS OF ALLOCATIONS" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 18 December 2013 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(e) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 18 December 2013, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 18 December 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(f) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant's stock account on Wednesday, 18 December 2013, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "PUBLICATION OF RESULTS OF ALLOCATIONS" above on Wednesday, 18 December 2013. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 18 December 2013 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 18 December

2013. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant's stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 18 December 2013.

ADMISSION OF THE OFFER SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Offer Shares and we comply with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Offer Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Offer Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

9 December 2013

The Directors
Consun Pharmaceutical Group Limited

BOCI Asia Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Consun Pharmaceutical Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of financial position of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 9 December 2013 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 13 December 2010 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 24 December 2012 (the "Reorganisation") as detailed in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Note 1(b) of Section B below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company, Brilliant Reach Group Limited and Immense Value Holdings Limited, as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in Note 1(b) of Section B below. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") or the relevant accounting rules and regulations applicable to enterprises in the Peoples Republic of China (the "PRC").

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with the same basis in respect of the preparation of the Financial Information as set out in Section B below. The Underlying Financial Statements for each of the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2013 were audited by KPMG Huazhen (Special General Partnership) in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 June 2013.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation set out in Note 1(b) of Section B below, a true and fair view of the state of affairs of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 and the Group's consolidated results and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2012, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A CONSOLIDATED FINANCIAL INFORMATION

1 Consolidated income statement

	Section B Note	Year ended 31 December			Six months ended 30 June	
		2010	**2011**	**2012**	**2012**	**2013**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Turnover	*2*	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	*3(a)*	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	*3(b)*	(68)	(103)	(1,927)	690	(118)
Profit before taxation	*4*	103,329	145,407	179,062	78,545	80,583
Income tax	*5(a)*	(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 the 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

The accompanying notes form part of this Financial Information.

2 Consolidated statement of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit for the year/period	79,258	107,301	136,206	60,100	59,066
Other comprehensive income					
Exchange differences on translation of financial statements of the Company and non-PRC subsidiaries	(220)	30	(23)	(1)	(4)
Total comprehensive income for the year/period	79,038	107,331	136,183	60,099	59,062
Attributable to:					
Equity shareholders of the Company	79,105	107,331	136,183	60,099	59,062
Non-controlling interest	(67)	–	–	–	–
Total comprehensive income for the year/period	79,038	107,331	136,183	60,099	59,062

The accompanying notes form part of this Financial Information.

3 Consolidated statements of financial position

	Section B Note	As at 31 December			As at 30 June
		2010	2011	2012	2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*9*	127,212	150,902	171,497	201,723
Lease prepayments	*10*	22,736	22,234	21,681	21,404
Other investment	*11*	2,600	2,600	2,600	2,600
Deferred tax assets	*19*	7,968	5,334	5,171	5,143
Total non-current assets		160,516	181,070	200,949	230,870
Current assets					
Inventories	*12*	34,921	20,360	22,442	30,766
Trade and other receivables	*13*	204,755	230,720	264,391	244,105
Pledged deposits	*14*	–	–	76,470	–
Cash and cash equivalents	*15*	32,021	64,871	81,755	200,865
Current tax recoverable	*19*	–	–	–	8,860
Total current assets		271,697	315,951	445,058	484,596
Current liabilities					
Trade and other payables	*16*	148,929	186,147	249,899	215,603
Loans and borrowings	*17*	–	13,600	–	37,000
Deferred income	*18*	1,350	2,100	900	–
Current tax payable	*19*	24,122	33,452	9,548	6,969
Total current liabilities		174,401	235,299	260,347	259,572
Net current assets		97,296	80,652	184,711	225,024
Total assets less current liabilities		257,812	261,722	385,660	455,894
Non-current liabilities					
Deferred income	*18*	1,985	1,942	1,898	5,767
Deferred tax liabilities	*19*	8,144	13,760	28,584	35,887
Total non-current liabilities		10,129	15,702	30,482	41,654
Net assets		247,683	246,020	355,178	414,240
Capital and reserves					
Share capital	*20(a)*	80,770	80,770	1	1
Reserves	*20(b)*	166,913	165,250	355,177	414,239
Total equity attributable to equity shareholder of the Company		247,683	246,020	355,178	414,240
Non-controlling interest	*21*	–	–	–	–
Total equity		247,683	246,020	355,178	414,240

The accompanying notes form part of this Financial Information.

4 Consolidated statements of changes in equity

		Attributable to equity holders of the Company							
	Section B Note	**Share capital**	**Exchange reserve**	**Other reserves**	**PRC statutory reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010		80,770	23	–	56,107	43,926	180,826	2,144	182,970
Changes in equity for 2010									
Profit for the year		–	–	–	–	79,325	79,325	(67)	79,258
Other comprehensive income		–	(220)	–	–	–	(220)	–	(220)
Total comprehensive income for the year		–	(220)	–	–	79,325	79,105	(67)	79,038
Appropriations to statutory reserve		–	–	–	1,976	(1,976)	–	–	–
Acquisition of non-controlling interest	*21*	–	–	–	–	316	316	(2,077)	(1,761)
Dividend approved in respect of the previous years	*20(e)*	–	–	–	–	(12,564)	(12,564)	–	(12,564)
At 31 December 2010 and 1 January 2011		80,770	(197)	–	58,083	109,027	247,683	–	247,683
Changes in equity for 2011									
Profit for the year		–	–	–	–	107,301	107,301	–	107,301
Other comprehensive income		–	30	–	–	–	30	–	30
Total comprehensive income for the year		–	30	–	–	107,301	107,331	–	107,331
Dividend approved in respect of the previous years	*20(e)*	–	–	–	–	(108,994)	(108,994)	–	(108,994)
At 31 December 2011 and 1 January 2012		80,770	(167)	–	58,083	107,334	246,020	–	246,020
Changes in equity for 2012									
Profit for the year		–	–	–	–	136,206	136,206	–	136,206
Other comprehensive income		–	(23)	–	–	–	(23)	–	(23)
Total comprehensive income for the year		–	(23)	–	–	136,206	136,183	–	136,183
Dividend approved in respect of the previous years	*20(e)*	–	–	–	–	(27,025)	(27,025)	–	(27,025)
Arising from the Reorganisation		(80,769)	–	80,769	–	–	–	–	–
At 31 December 2012		1	(190)	80,769	58,083	216,515	355,178	–	355,178

The accompanying notes form part of the Financial Information.

	Section B Note	Attributable to equity holders of the Company							
		Share capital	Exchange reserve	Other reserves	PRC statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013		1	(190)	80,769	58,083	216,515	355,178	–	355,178
Changes in equity									
Profit for the period		–	–	–	–	59,066	59,066	–	59,066
Other comprehensive income		–	(4)	–	–	–	(4)	–	(4)
Total comprehensive income for the period		–	(4)	–	–	59,066	59,062	–	59,062
At 30 June 2013		1	(194)	80,769	58,083	275,581	414,240	–	414,240
(Unaudited)									
At 1 January 2012		80,770	(167)	–	58,083	107,334	246,020	–	246,020
Changes in equity									
Profit for the period		–	–	–	–	60,100	60,100	–	60,100
Other comprehensive income		–	(1)	–	–	–	(1)	–	(1)
Total comprehensive income for the period		–	(1)	–	–	60,100	60,099	–	60,099
Dividend approved in respect of the previous years	*20(e)*	–	–	–	–	(27,025)	(27,025)	–	(27,025)
At 30 June 2012		80,770	(168)	–	58,083	140,409	279,094	–	279,094

The accompanying notes form part of the Financial Information.

5 Consolidated cash flow statements

	Section B Note	Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Operating activities						
Cash generated from operations	*15(b)*	77,255	77,145	180,605	124,524	72,800
PRC income tax paid		(8,317)	(20,526)	(51,773)	(20,649)	(25,625)
Net cash generated from operating activities		68,938	56,619	128,832	103,875	47,175
Investing activities						
Payment for acquisition of a subsidiary (note (i))		(3,039)	–	–	–	–
Interest received		1,099	1,812	2,340	802	728
Payment for purchase of property, plant and equipment		(17,689)	(31,629)	(37,334)	(12,687)	(30,514)
Proceeds received from disposal of property, plant and equipment		3,359	–	–	–	–
Payment for pledged deposits		–	–	(76,470)	–	–
Proceed from pledged deposits		–	–	–	–	76,470
Net cash (used in)/generated from investing activities		(16,270)	(29,817)	(111,464)	(11,885)	46,684
Financing activities						
Proceeds/(repayments) of loans and borrowings		–	13,600	(13,600)	(13,600)	37,000
Proceeds from issuance of shares	*20(a)*	–	–	14,028	–	–
Dividend paid		(68,924)	(7,552)	(912)	–	(11,749)
Payment for acquisition of non-controlling interest	*21*	(1,761)	–	–	–	–
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 1 January		50,038	32,021	64,871	64,871	81,755
Cash and cash equivalents at 31 December/30 June		32,021	64,871	81,755	143,261	200,865

Note:

(i) The Group completed the acquisition of a subsidiary in October 2009 and settled the consideration in April 2010.

The accompanying notes form part of the Financial Information.

B NOTES TO CONSOLIDATED FINANCIAL INFORMATION

1 Significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2013 are set out in Note 27.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 June 2012 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation and presentation

The Company was incorporated in the Cayman Islands on 13 December 2010 as part of the Reorganisation of Guangzhou Consun Pharmaceutical Co., Ltd. ("Guangzhou Consun") in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited. Prior to the Reorganisation, Guangzhou Consun was the holding company of the Group. Upon completion of the Reorganisation, the Company became the Group's new holding company and Guangzhou Consun became an intermediate holding company. The ultimate controlling shareholders of the Group are Mr. YOUNG Wai Po, Peter, Mr. AN Yu Bao and Ms. LI Qian (hereinafter collectively referred to as the "Controlling Shareholders").

The companies that took part in the Reorganisation were controlled by the Controlling Shareholders before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and the business of the Group. The Reorganisation only involved inserting newly formed entities with no substantive operations as new holding companies of Guangzhou Consun, which was the Group's sole holding company of operating entities during the Relevant Periods. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in HKFRS 3, Business combinations, with Guangzhou Consun treated as the acquirer for accounting purposes. The Financial Information has been prepared and presented as a continuation of the financial statements of Guangzhou Consun with the assets and liabilities of Guangzhou Consun recognized and measured at their historical carrying amounts prior to the Reorganization.

Intra-group balances and intra-group transactions are eliminated in full in preparing the Financial Information.

As of the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place and date of incorporation/ establishment	Authorised and fully paid up capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
Brilliant Reach Group Limited	The British Virgin Islands (the "BVI") 8 June 2010	United States Dollars ("US$")50,000/ US$1	100%	–	Investment holding
Immense Value Holdings Limited	BVI 28 February 2008	US$50,000/US$1	100%	–	Investment holding

Name of company	Place and date of incorporation/ establishment	Authorised and fully paid up capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
Century International Develop Limited	Hong Kong 27 March 2012	Hong Kong Dollars ("HK$")10,000/ HK$1	–	100%	Investment holding
Grand Reach Company Limited	Hong Kong 22 April 2008	HK$10,000/ HK$1,000	–	100%	Investment holding
Guangzhou Consun (廣州康臣藥業有限公司)*	PRC 29 December 1997	Renminbi ("RMB")80,770,000/ RMB80,770,000	–	100%	Production and sales of pharmaceutical products
Guangzhou Consun Medicine Company Limited (廣州康臣醫藥有限公司)* ("Consun Medicine")*	PRC 1 December 2003	RMB3,000,000/ RMB3,000,000	–	100%	Trading of pharmaceutical products
Guangzhou Consun Pharmaceutical Research Company Limited (廣州康臣藥物研究有限公司)* ("Consun Pharmaceutical Research")*	PRC 28 September 2005	RMB10,000,000/ RMB10,000,000	–	100%	Research and development of pharmaceutical products
Consun Pharmaceutical (Inner Mongolia) Company Limited (康臣藥業(內蒙古)有限責任公司) ("Inner Mongolia Consun")*	PRC 29 December 2005	RMB25,000,000/ RMB25,000,000	–	100%	Production and sales of pharmaceutical products
Inner Mongolia Kangyuan Pharmaceutical Company Limited (內蒙古康源藥業有限公司) ("Inner Mongolia Kangyuan")*	PRC 13 June 2000	RMB19,161,000/ RMB19,161,000	–	100%	Production and sales of pharmaceutical products

* The official name of the entity is in Chinese. The English translation of the entity's name is for reference only.

Details of the Company and its subsidiaries that are subject to statutory audit during the Relevant Periods and the names of the respective auditors are set out below:

Name of company	Financial period	Statutory auditors
Century International Develop Limited	Period from 27 March 2012 to 31 December 2012	Norman Chan & Company (陳業文會計師事務所)
Grand Reach Company Limited	Years ended 31 December 2010, 2011 and 2012	Norman Chan & Company (陳業文會計師事務所)
Guangzhou Consun	Years ended 31 December 2010, 2011 and 2012	Guangdong TinWha Huayue Certified Public Accountants Co., Ltd (廣東天華華粵會計師事務所有限公司)
Guangzhou Consun Medicine Company Limited	Years ended 31 December 2010, 2011 and 2012	Guangdong TinWha Huayue Certified Public Accountants Co., Ltd (廣東天華華粵會計師事務所有限公司)
Guangzhou Consun Pharmaceutical Research Company Limited	Years ended 31 December 2010, 2011 and 2012	Guangdong TinWha Huayue Certified Public Accountants Co., Ltd (廣東天華華粵會計師事務所有限公司)
Inner Mongolia Consun	Years ended 31 December 2010, 2011 and 2012	Guangdong TinWha Huayue Certified Public Accountants Co., Ltd (廣東天華華粵會計師事務所有限公司)
Inner Mongolia Kangyuan	Years ended 31 December 2010 and 2011	Tongliao Mingda Certified Public Accountants Co., Ltd (通遼明達會計師事務所有限公司)
	Year ended 31 December 2012	Tongliao Xinda Certified Public Accountants Co., Ltd (通遼信達會計師事務所有限公司)

(c) Basis of measurement

The Financial Information is presented in RMB, rounded to the nearest thousand and is prepared on the historical cost basis.

(d) Use of estimates and judgments

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 26.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The income and expenses of a subsidiary are included in the Financial Information from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statements and the consolidated statements of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/period between non-controlling interests and the equity holders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 1(f)).

(f) Other investment

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs.

Other investment that does not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statements of financial position at cost less impairment losses (Note 1(j)).

(g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (Note 1(j)):

– Buildings held for own use which are situated on leasehold land classified as held under operating leases (Note 1(i)); and

– Other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour and the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion	
– Machinery and equipment	10 years
– Motor vehicles	5 years
– Office equipment	5 years

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.

Construction in progress represents property, plant and equipment under construction, and is stated at cost less impairment losses (Note 1(j)). Cost comprises direct costs of construction during the construction period. 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.

(h) 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 the 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 stage 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.

(i) Lease prepayments

Lease prepayments represent cost of land use rights paid to the PRC government authorities. Land use rights are stated as cost less accumulated amortisation and impairment losses (Note 1(j)). Amortisation is recognised in profit or loss on a straight-line basis over the respective period of the rights.

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as 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. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other receivables carried at amortised cost, the impairment loss is measured as 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. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss 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 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. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts 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 profit or loss.

(ii) 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.

– Property, plant and equipment, and

– Lease prepayment;

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, expect that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

Inventories are carried 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.

When inventories are sold, the carrying amount of those inventories 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.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (Note 1(j)).

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Annual contributions to retirement benefit schemes operated by the government in the PRC are recognised in the profit or loss as and when incurred.

(q) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  • the same taxable entity; or

  • different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when 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) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised 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.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(u) Segment reporting

Management has determined operating segments with reference to the reports reviewed by the chief operating decision maker of the Group that are used to assess the performance and allocate resources.

The chief operating decision maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on sales of pharmaceutical products. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8, *Operating Segments*. In this regard, no segment information is presented for the Relevant Periods.

No geographic information is shown as the Group's operating profit is entirely derived from activities of manufacture and sale of pharmaceutical products in the PRC.

2 Turnover

The principal activities of the Group are manufacturing and sales of pharmaceuticals.

Revenue represents the sales value of goods supplied to customers. Revenue excludes sales taxes and surcharges and is after deduction of any trade discounts. The amount of each significant category of revenue recognised in turnover during the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Kidney medicines	232,931	303,604	352,704	132,536	175,029
Contrast medium	43,520	51,662	65,272	30,701	40,347
Others	27,262	34,039	39,825	18,682	13,014
	303,713	389,305	457,801	181,919	228,390

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenues. Revenues from this customer amounted to approximately RMB42,494,000, RMB69,700,000, RMB82,041,000, RMB30,989,000 (unaudited) and RMB46,278,000 for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 respectively. Details of concentrations of credit risk arising from this customer are set out in Note 22(a).

3 Other revenue and other net (loss)/income

(a) Other revenue

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Government grants					
– Unconditional subsidies (i)	38,724	10,405	16,930	16,680	323
– Conditional subsidies (Note 18)	43	1,543	1,244	1,222	31
Interest income	1,099	1,812	2,340	802	728
Others	177	3,461	3	–	–
	40,043	17,221	20,517	18,704	1,082

Note:

(i) Government grants represent various forms of incentives and subsidies granted to the Group by the local government authorities in the PRC.

(b) Other net (loss)/income

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Loss on disposal of fixed assets	(55)	–	(2,379)	(36)	(569)
Others	(13)	(103)	452	726	451
	(68)	(103)	(1,927)	690	(118)

4 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Staff costs

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries, wages, bonuses and benefits	54,644	56,321	72,452	30,604	41,182
Contribution to retirement schemes	2,047	1,801	1,991	723	1,529
	56,691	58,122	74,443	31,327	42,711

Staff costs includes directors' and senior management's remuneration (Note 6 and Note 7).

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local government authorities whereby the PRC subsidiaries are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

(b) Other items

		Year ended 31 December			Six months ended 30 June	
	Note	**2010**	**2011**	**2012**	**2012**	**2013**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Depreciation	*9*	10,409	10,066	11,161	5,464	6,139
Amortisation	*10*	553	553	553	277	277
Auditor's remuneration		320	103	354	312	75
Impairment losses for doubtful debts	*13(b)*	3,314	1,128	779	648	228
Operating lease charges		125	123	93	12	2
Research and development cost#		12,791	14,312	13,423	5,368	4,771
Cost of inventories*	*12*	63,728	95,507	111,112	46,455	50,023

\# During the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, research and development cost include RMB6,180,000, RMB6,189,000, RMB6,953,000, RMB3,262,000 (unaudited) and RMB2,437,000 relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in the Note 4(a) for each of these types of expenses.

* During the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, cost of inventories include RMB16,069,000, RMB17,172,000, RMB22,472,000, RMB9,807,000 (unaudited) and RMB13,575,000 relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in the Note 4(a) for each of these types of expenses.

5 Income tax

(a) Taxation in consolidated statements of comprehensive income represents:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Current tax					
Provision for PRC income tax for the year/period	20,731	29,856	27,869	13,042	14,186
Deferred tax					
Origination of temporary differences	3,340	8,250	14,987	5,403	7,331
	24,071	38,106	42,856	18,445	21,517

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision was made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013.

(iii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which was effective from 1 January 2008. As a result of the new tax law, taxable income for the subsidiaries of the Company in the PRC is subject to PRC income tax rate of 25%, unless otherwise specified.

Prior to 1 January 2008, Inner Mongolia Consun, 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 new tax 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, Inner Mongolia Consun started to enjoy the 2+3 tax holidays in 2008 and was exempted from PRC income tax from 2008 to 2009. It is subject to PRC income tax at 12.5% from 2010 to 2012. As Inner Mongolia Consun was certified as an Advanced and New Technology Enterprise ("ANTE"), it was entitled to the preferential income tax rate of 15% from 2012 to 2014.

As Guangzhou Consun was certified as an ANTE, it was entitled to the preferential income tax rate of 15% from 2008 to 2010. In 2011, Guangzhou Consun successfully renewed its ANTE qualification and was entitled to the preferential income tax rate of 15% from 2011 to 2013.

(iv) According to the new tax law and its implementation rules, dividends receivable by non-PRC-resident corporate investors from PRC-resident enterprises are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. The Group has adopted the 10% withholding tax rate for PRC withholding tax purposes.

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit before taxation for the year/period	103,329	145,407	179,062	78,545	80,583
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	25,834	36,363	44,769	19,633	20,635
Effect of non-deductible expenses	8,734	5,230	9,816	2,841	4,322
Effect of tax concession	(20,014)	(15,961)	(26,016)	(10,026)	(10,409)
PRC dividend withholding tax	9,517	12,474	14,287	5,997	6,969
Actual tax expenses	24,071	38,106	42,856	18,445	21,517

6 Directors' remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 31 December 2010				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. AN Yubao	–	722	–	–	722
Ms. LI Qian	–	651	–	20	671
Mr. ZHU Quan	–	440	–	–	440
Non-executive directors					
Mr. WANG Zi Han	–	99	–	–	99
Mr. YOUNG Wai Po, Peter	–	–	–	–	–
Mr. WANG Shunlong	–	–	–	–	–
Independent non-executive directors					
Mr. SU Yuanfu	–	–	–	–	–
Mr. FENG Zhongshi	–	–	–	–	–
Ms. CHENG Xinxin	–	–	–	–	–
	–	1,912	–	20	1,932

	Year ended 31 December 2011				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. AN Yubao	–	872	–	–	872
Ms. LI Qian	–	753	–	21	774
Mr. ZHU Quan	–	799	–	–	799
Non-executive directors					
Mr. WANG Zi Han	–	99	–	–	99
Mr. YOUNG Wai Po, Peter	–	–	–	–	–
Mr. WANG Shunlong	–	–	–	–	–
Independent non-executive directors					
Mr. SU Yuanfu	–	–	–	–	–
Mr. FENG Zhongshi	–	–	–	–	–
Ms. CHENG Xinxin	–	–	–	–	–
	–	2,523	–	21	2,544

	Year ended 31 December 2012				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. AN Yubao	–	1,082	–	–	1,082
Ms. LI Qian	–	973	–	21	994
Mr. ZHU Quan	–	773	–	–	773
Non-executive directors					
Mr. WANG Zi Han	–	99	–	–	99
Mr. YOUNG Wai Po, Peter	–	–	–	–	–
Mr. WANG Shunlong	–	–	–	–	–
Independent non-executive directors					
Mr. SU Yuanfu	–	–	–	–	–
Mr. FENG Zhongshi	–	–	–	–	–
Ms. CHENG Xinxin	–	–	–	–	–
	–	2,927	–	21	2,948

	Six months ended 30 June 2013				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. AN Yubao	–	540	–	–	540
Ms. LI Qian	–	486	–	10	496
Mr. ZHU Quan	–	371	–	–	371
Non-executive directors					
Mr. WANG Zi Han	–	50	–	–	50
Mr. YOUNG Wai Po, Peter	–	–	–	–	–
Mr. WANG Shunlong	–	–	–	–	–
Independent non-executive directors					
Mr. SU Yuanfu	–	–	–	–	–
Mr. FENG Zhongshi	–	–	–	–	–
Ms. CHENG Xinxin	–	–	–	–	–
	–	1,447	–	10	1,457

	Six months ended 30 June 2012 (Unaudited)				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. AN Yubao	–	541	–	–	541
Ms. LI Qian	–	487	–	10	497
Mr. ZHU Quan	–	383	–	–	383
Non-executive directors					
Mr. WANG Zi Han	–	50	–	–	50
Mr. YOUNG Wai Po, Peter	–	–	–	–	–
Mr. WANG Shunlong	–	–	–	–	–
Independent non-executive directors					
Mr. SU Yuanfu	–	–	–	–	–
Mr. FENG Zhongshi	–	–	–	–	–
Ms. CHENG Xinxin	–	–	–	–	–
	–	1,461	–	10	1,471

Mr. AN Yubao was appointed as executive director on 24 January 2011. Ms. LI Qian and Mr. ZHU Quan were appointed as executive directors on 24 December 2012.

Mr. WANG Zi Han, Mr. YOUNG Wai Po, Peter and WANG Shunlong were appointed as non-executive directors on 24 December 2012.

Mr. SU Yuanfu, Mr. FENG Zhongshi and Ms. CHENG Xinxin were appointed as independent non-executive directors on 2 December 2013.

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in Note 7 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

7 Individuals with highest emoluments

Of the five individuals with highest emoluments, three are directors of the Company during the Relevant Periods whose emoluments are disclosed in Note 6. The aggregate of the emoluments in respect of the other two individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries, allowance and benefits in kind	990	1,039	1,369	550	824
Contributions to retirement scheme	19	19	23	10	5
	1,009	1,058	1,392	560	829

The emoluments of these remaining individuals with the highest emoluments are within the band HK$ Nil to HK$1,000,000 for the Relevant Periods.

8 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the preparation of the results for the Relevant Periods.

9 Property, plant and equipment

	Buildings	Machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2010	91,488	43,241	10,000	7,311	1,748	153,788
Transfer from CIP	1,914	–	–	–	(1,914)	–
Other additions	3,657	2,582	6	1,037	13,124	20,406
Disposals	(3,560)	(129)	(742)	(90)	–	(4,521)
At 31 December 2010 and 1 January 2011	93,499	45,694	9,264	8,258	12,958	169,673
Transfer from CIP	15,018	200	–	–	(15,218)	–
Other additions	3,297	5,711	387	993	23,368	33,756
At 31 December 2011 and 1 January 2012	111,814	51,605	9,651	9,251	21,108	203,429
Transfer from CIP	21,571	3,862	–	60	(25,493)	–
Other additions	2,849	4,802	819	3,434	22,231	34,135
Disposals	(1,073)	(6,814)	(1,152)	(2,306)	–	(11,345)
At 31 December 2012 and 1 January 2013	135,161	53,455	9,318	10,439	17,846	226,219
Other additions	211	561	38	1,167	34,957	36,934
Disposals	–	(2,118)	(316)	(1,042)	–	(3,476)
At 30 June 2013	135,372	51,898	9,040	10,564	52,803	259,677
Accumulated depreciation:						
At 1 January 2010	(11,688)	(12,065)	(5,848)	(3,558)	–	(33,159)
Charge for the year	(3,527)	(4,786)	(1,161)	(935)	–	(10,409)
Written back on disposals	244	114	668	81	–	1,107
At 31 December 2010 and 1 January 2011	(14,971)	(16,737)	(6,341)	(4,412)	–	(42,461)
Charge for the year	(3,636)	(4,489)	(904)	(1,037)	–	(10,066)
At 31 December 2011 and 1 January 2012	(18,607)	(21,226)	(7,245)	(5,449)	–	(52,527)
Charge for the year	(4,472)	(4,895)	(610)	(1,184)	–	(11,161)
Written back on disposal	316	5,714	1,042	1,894	–	8,966
At 31 December 2012 and 1 January 2013	(22,763)	(20,407)	(6,813)	(4,739)	–	(54,722)
Charge for the period	(2,597)	(2,583)	(294)	(665)	–	(6,139)
Written back on disposal	–	1,854	169	884	–	2,907
At 30 June 2013	(25,360)	(21,136)	(6,938)	(4,520)	–	(57,954)
Net book value:						
At 31 December 2010	78,528	28,957	2,923	3,846	12,958	127,212
At 31 December 2011	93,207	30,379	2,406	3,802	21,108	150,902
At 31 December 2012	112,398	33,048	2,505	5,700	17,846	171,497
At 30 June 2013	110,012	30,762	2,102	6,044	52,803	201,723

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group was applying for certificates of ownership for certain properties, with carrying value of RMB620,000, RMB12,726,000, RMB29,573,000 and RMB29,120,000 respectively. The directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

10 Lease prepayments

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
As at the beginning of the year/period	26,057	26,057	26,108	26,108
Other addition	–	51	–	–
As at the end of the year/period	26,057	26,108	26,108	26,108
Accumulated amortisation:				
As at the beginning of the year/period	(2,768)	(3,321)	(3,874)	(4,427)
Charge for the year/period	(553)	(553)	(553)	(277)
As at the end of the year/period	(3,321)	(3,874)	(4,427)	(4,704)
Net book value:				
As at the end of the year/period	22,736	22,234	21,681	21,404

Lease prepayments represent prepayments for land use rights paid to the PRC authorities. The leasehold lands are located in the PRC, on which the Group's manufacturing plants were built. The Group was granted land used rights for a period of 50 years initially and the remaining period range from 36 to 46 years.

11 Other investment

Other investment of the Group represents an investment in a domestic medicine manufacturer located in Inner Mongolia autonomous region of the PRC. The Group owns a 5% equity interest in the domestic medicine manufacturer. There is not a quoted market price in an active market for the investment. Quoted prices in active market for similar investment or observable market data as significant inputs for valuation techniques are also not available. Therefore, the unlisted other investment is stated at cost less impairment, if any, in the Financial Information.

12 Inventories

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	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
	34,921	20,360	22,442	30,766

The analysis of the amount of inventories recognised as an expense and included in the consolidated statements of comprehensive income is as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of inventories sold	62,333	95,102	109,447	49,694
Write down of inventories	1,395	405	1,665	329
	63,728	95,507	111,112	50,023

13 Trade and other receivables

	As at 31 December			As at 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)
Trade receivables	172,741	215,723	248,475	197,718
Other receivables	25,666	7,774	4,992	26,776
Prepayments	6,348	7,223	10,924	19,611
	204,755	230,720	264,391	244,105

As at 31 December 2012, bills receivable with the carrying amounts of RMB63,351,000 were pledged to secure a financial guarantee issued to an entity controlled by a director (see Note 24).

(a) Aging analysis

As of the end of the reporting period, the aging analysis of trade receivables based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	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
	172,741	215,723	248,475	197,718

Trade receivables are due within 180 days from the date of billing.

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (Note 1(j)).

The movement in the allowance for doubtful debts during the Relevant Periods, including both specific and collective loss components, is as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	3,075	6,227	7,328	8,107
Impairment loss recognized	3,314	1,128	779	228
Uncollectible amounts written off	(162)	(27)	–	(2,422)
At 31 December/30 June	6,227	7,328	8,107	5,913

The Group's trade debtors of RMB10,323,000, RMB10,337,000, RMB8,178,000 and RMB9,526,000 as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered.

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	164,823	209,429	246,041	193,094
Less than 1 month past due	427	701	847	281
1 to 3 months past due	194	236	720	136
More than 3 months but less than 12 months past due	1,998	1,846	796	594
More than 12 months past due	1,203	502	–	–
	3,822	3,285	2,363	1,011
	168,645	212,714	248,404	194,105

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

14 Pledged deposits

The amount represents bank deposits pledged to secure a financial guarantee issued to an entity controlled by a director as at 31 December 2012 (see Note 24).

15 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	31,934	64,834	81,736	200,855
Cash on hand	87	37	19	10
	32,021	64,871	81,755	200,865

(b) Reconciliation of profit before taxation to cash generated from operations:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit before taxation	103,329	145,407	179,062	78,545	80,583
Adjustments for					
Depreciation	10,409	10,066	11,161	5,464	6,139
Amortisation	553	553	553	277	277
Provision for doubtful debts	3,314	1,128	779	648	228
Interest income	(1,099)	(1,812)	(2,340)	(802)	(728)
Loss on disposal of property, plant and equipment	55	–	2,379	36	569
Adjustments for					
(Increase)/decrease in inventories	(15,453)	14,561	(2,082)	(2,089)	(8,324)
(Increase)/decrease in trade and other receivables	(48,152)	(28,855)	(31,546)	2,335	26,148
Increase/(decrease) in trade and other payables	24,342	(64,610)	23,883	41,332	(35,061)
(Decrease)/increase in deferred income	(43)	707	(1,244)	(1,222)	2,969
Cash generated from operations	77,255	77,145	180,605	124,524	72,800

16 Trade and other payables

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	32,025	16,269	31,976	24,495
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
	148,929	186,147	249,899	215,603

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	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
	32,025	16,269	31,976	24,495

17 Loans and borrowings

The analysis of the carrying amount of loans and borrowings is as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unsecured loans from local government	–	13,600	–	37,000

During the year ended 31 December 2011, the Finance Bureau of Tongliao City had granted loans of RMB13,600,000 to Inner Mongolia Kangyuan. The loans are unsecured, interest-free and repayable on demand.

During the six months ended 30 June 2013, the Finance Bureau of Tongliao City had granted loans of RMB37,000,000 to Inner Mongolia Consun. The loans are unsecured, interest-free and repayable in September 2013.

18 Deferred income

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	3,378	3,335	4,042	2,798
Additions	–	2,250	–	3,000
Credited to profit or loss	(43)	(1,543)	(1,244)	(31)
At 31 December/30 June	3,335	4,042	2,798	5,767
Represented:				
Current portion	1,350	2,100	900	–
Non-current portion	1,985	1,942	1,898	5,767
	3,335	4,042	2,798	5,767

As at 31 December 2010, 2011 and 2012 and 30 June 2013, deferred income of the Group mainly includes various conditional government grants for research and development projects of new or existing pharmaceutical products and subsidies relating to purchase of land use rights.

Deferred government grants relating to research and development projects will be recognised as income in the same periods in which the expenses for the development project are incurred. Deferred government grants relating to purchase of land use rights will be recognised as income on a straight-line basis over the expected useful life of the relevant land use rights.

19 Income tax in the consolidated statements of financial position

(a) Current taxation in the consolidated statements of financial position represents:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	11,708	24,122	33,452	9,548
Provision of PRC income tax for the year/period	20,731	29,856	27,869	14,186
PRC income tax paid during the year/period	(8,317)	(20,526)	(51,773)	(25,625)
At 31 December/30 June*	24,122	33,452	9,548	(1,891)
Represented:				
Current tax recoverable	–	–	–	(8,860)
Current tax payable	24,122	33,452	9,548	6,969
	24,122	33,452	9,548	(1,891)

* As at 30 June 2013, the tax recoverable of RMB8,860,000 represents the PRC income tax paid in advance by Inner Mongolia Consun. As agreed with the local tax authority, it can be utilized to offset the future tax payable.

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the year are as follows:

Deferred tax assets/(liabilities) arising from:	Withholding tax on future dividend income from PRC subsidiaries	Unused tax losses#	Provisions and accruals	Fair value adjustment from business acquisition	Intra group unrealised profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	(8,037)	3,533	1,292	(2,117)	8,493	3,164
Credited/(charged) to profit or loss	(9,517)	2,232	911	(393)	3,427	(3,340)
At 31 December 2010 and 1 January 2011	(17,554)	5,765	2,203	(2,510)	11,920	(176)
Credited/(charged) to profit or loss	1,638*	(3,744)	1,110	113	(7,367)	(8,250)
At 31 December 2011 and 1 January 2012	(15,916)	2,021	3,313	(2,397)	4,553	(8,426)
Credited/(charged) to profit or loss	(14,287)	(729)	566	114	(651)	(14,987)
At 31 December 2012 and 1 January 2013	(30,203)	1,292	3,879	(2,283)	3,902	(23,413)
Credited/(charged) to profit or loss	(6,969)	682	(710)	56	(390)	(7,331)
At 30 June 2013	(37,172)	1,974	3,169	(2,227)	3,512	(30,744)

* These amounts include the provision of withholding tax on profits of the PRC subsidiaries amounting to RMB12,474,000 for the year ended 31 December 2011, and the reversal of deferred tax liabilities on withholding tax upon distribution of dividends amounting to RMB14,112,000 during the year ended 31 December 2011. Upon the distribution of dividends, the Group is required to pay income tax.

\# Deferred tax assets are recognised on unused tax losses of certain subsidiaries of the Group. They are now progressing to their normal operation stage and are deriving profits. Accordingly, it is considered probable that sufficient taxable profits will be available in the future to utilize their unused tax losses before they expire.

(c) Reconciliation to the consolidated statements of financial position

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax asset recognised in the consolidated statements of financial position	7,968	5,334	5,171	5,143
Net deferred tax liability recognised in the consolidated statements of financial position	(8,144)	(13,760)	(28,584)	(35,887)
At 31 December/30 June	(176)	(8,426)	(23,413)	(30,744)

20 Capital, reserve and dividends

(a) Share capital

For the purpose of the Financial Information, as at 31 December 2010 and 2011, the share capital represented share capital of Guangzhou Consun, which was the holding company of the Group before the completion of the Reorganisation.

The Company was incorporated in the Cayman Islands on 13 December 2010 as part of the Group's Reorganisation which was completed on 24 December 2012 and became the holding company of the Group since then. Share capital as at 31 December 2012 and 30 June 2013 represented the share capital of the Company.

Authorised shares of the Company

	No. of shares	Amount
		HK$'000
Ordinary share of HK$0.10 each	1,000,000	100,000

Ordinary shares of the Company

	Number of shares	Nominal value of fully paid shares	Nominal value of fully paid shares
		HK$'000	*RMB'000*
At 13 December 2010 (date of incorporation) issue of one ordinary share of HK$0.10 each	1	–	–
Shares issued upon Reorganisation	9,999	1	1
As at 31 December 2012 and 30 June 2013	10,000	1	1

As part of the Reorganisation, the Company allotted and issued 6,899 shares to Cannopus Investments Limited, a company controlled by the Controlling Shareholders, for a consideration of RMB161,319,000 on 29 March 2012.

On the same date, the Company allotted and issued 600 shares to Double Grace International Limited, Assets Builder Consultants Limited, Wealthy Hero Limited and Loyal Team Management Limited for aggregated considerations of RMB14,028,000. The consideration was received by Century International Develop Limited, a wholly owned subsidiary, on behalf of the Company.

On the same date, the Company allotted and issued 2,500 shares, credited as fully paid, to Ample Wise Holdings and First Kind International Limited, in consideration for the 100% equity interests of Ample On Investment Limited and Immense Value Holdings Limited. Ample On Investment Limited and Immense Value Holdings Limited indirectly owns 25% equity interest of Guangzhou Consun.

On 19 November 2012, Century International Develop Limited acquired 69% equity interest in Guangzhou Consun for a consideration of RMB161,319,000. The consideration was set off pursuant to a set-off agreement dated 24 December 2012, entered into among Cannopus Investments Limited, Century International Develop Limited and the Company. On 19 November 2012, Century International Develop Limited further acquired 6% equity interest in Guangzhou Consun for aggregated considerations of RMB14,028,000. Upon the completion of Reorganisation, the Company and Century International Develop Limited indirectly and directly owns 100% and 75% equity interest of Guangzhou Consun respectively.

(b) Nature and purpose of reserves

(i) PRC statutory reserves

Pursuant to the articles of association of the PRC subsidiaries now comprising the Group, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC, until the general reserve fund was equal to 50% of the entity's registered capital. The percentage for this appropriation was decided by the directors of the respective subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

As at 31 December 2010, the surplus reserve balances of Guangzhou Consun and Inner Mongolia Consun had reached 50% of their registered capital respectively, and no further appropriation was made as of 31 December 2011 and 2012. Other PRC subsidiaries of the Group had made losses during the Relevant Periods or had accumulated losses, no appropriation was made accordingly.

(c) Distributability of reserves

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

(d) Other reserves

The other reserves of the Group represent the difference between (a) the nominal value of share capital of Guangzhou Consun; and (b) the nominal value of the shares issued by the Company in exchange under the Reorganisation of the Group completed on 24 December 2012.

The other reserves of the Company represent the difference between (a) the consolidated net assets of the subsidiaries acquired; and (b) the nominal value of the shares issued by the Company in exchange under the Reorganisation of the Group.

(e) Dividends

Dividends payable to equity holders attributable to the previous financial years, approved and paid during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Dividends declared and approved to equity holders of the Group....	12,564	108,994	27,025	27,025	–

On 14 December 2010, 18 October 2011 and 28 March 2012, the Group declared dividends of RMB12,564,000, RMB108,994,000 and RMB27,025,000 to its equity holders. All dividends declared during the Relevant Period represent dividends attributable to previous financial years.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings) less cash and cash equivalents. Adjusted capital comprises all components of equity. The Group did not have adjusted net debt during the Relevant Periods.

During the Relevant Periods, the Group's strategy was to maintain the debt-to-equity ratio at a level considered reasonable by the Group's management from time to time with reference to the prevailing market conditions. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity shareholders, issue new shares or raise new debt financing.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

21 Acquisition of non-controlling interests

On 19 March 2010, the Group acquired 36.68% equity interests in Inner Mongolia Kangyuan with a cash consideration of RMB1,761,000. Through the acquisition, the Group increased its effective equity interests in Inner Mongolia Kangyuan from 63.32% to 100%. The carrying amount of Inner Mongolia Kangyuan's net assets in the consolidated financial statements on the date of the acquisition was RMB5,662,000. The Group recognised a decrease in non-controlling interests of RMB2,077,000 and an increase in retained earnings of RMB316,000.

The following table summarises the effect of changes in the Group's equity interest in Inner Mongolia Kangyuan:

	The year ended 31 December 2010
	RMB'000
Equity interest in Inner Mongolia Kangyuan as at 1 January 2010	3,702
Effect of increase in Inner Mongolia Kangyuan's equity interest	2,077
Share of comprehensive income during the year ended 31 December 2010	210
Equity interest in Inner Mongolia Kangyuan as at 31 December 2010	5,989

22 Financial risk management and fair values

Exposure to credit and liquidity risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 180 days from the date of billing. Debtors with balances that are more than 12 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2010, 2011 and 2012 and 30 June 2013, 14%, 31%, 26% and 25% of the total trade receivables were due from the Group's largest customer and 19%, 44%, 48% and 47% of the total trade receivables were due from the five largest customers respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 13.

(b) Liquidity risk

The Group's approach in managing liquidity is to ensure, as far as possible, that the Group maintains sufficient reserves of liquid funds to meet its liabilities when they fall due, under both normal and stressed conditions.

The following are the contractual maturities of financial liabilities (exclude receipts in advance), which are based on contractual undiscounted cash flows (including interest payments computed at contracted rates) and the earliest date the Group can be required to repay:

	At 31 December 2010 Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	106,770	–	106,770	106,770

	At 31 December 2011 Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings	13,600	–	13,600	13,600
Trade and other payables	178,005	–	178,005	178,005
Total	191,605	–	191,605	191,605

	At 31 December 2012 Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	244,129	–	244,129	244,129

	At 30 June 2013 Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings	37,000	–	37,000	37,000
Trade and other payables	210,777	–	210,777	210,777
Total	247,777	–	247,777	247,777

(c) Fair values

The carrying amounts of all financial assets and liabilities carried at amortised cost approximate their respective fair values as at 31 December 2010, 2011 and 2012 and 30 June 2013 due to the short maturities of these instruments. The fair value of the loans and borrowings are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(d) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Trade and other receivables

Trade receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the end of the reporting period.

(ii) Loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

23 Capital commitments

Capital commitments outstanding at each end of the reporting period not provided for in the Financial Information were as follows:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	4,489	4,203	23,387	13,539

24 Contingent liabilities

As at 31 December 2012, Guangzhou Consun issued a financial guarantee to Central Success Developments Limited, a related party, in connection with a banking facility granted by a bank, which was secured by pledged deposits and bills receivable of Guangzhou Consun of RMB76,470,000 (Note 14) and RMB63,351,000 (Note 13) respectively.

As at 31 December 2012, the directors do not consider it probable that a claim will be made against Guangzhou Consun under the guarantee. The maximum liability of Guangzhou Consun under the guarantee issued is the facility drawn down by Central Success Developments Limited of RMB118,000,000. The financial guarantee was released by the bank in March 2013.

25 Material related party transactions

During the Relevant Periods, the directors are of the view that related parties of the Group include the following companies:

Name of related party	Relationship with the Group
Cannopus Investments Limited	An entity controlled by a director
Central Success Developments Limited	An entity controlled by a director
Faithful Gain Investments Limited ("Faithful Gain")	An entity controlled by a director
Guangzhou Qian'an Investment Co., Ltd. ("Qian'an")	An entity controlled by a director
First Kind International Limited ("First Kind")	An entity controlled by a shareholder
Hony Capital Fund III, L.P ("Hony Capital")	An intermediate shareholder of the Group
Guangzhou Kangsheng Investment Consultancy Co., Ltd. ("Kangsheng")	An entity controlled by key management personnel
Guangzhou Kangli Investment Consultancy Co., Ltd. ("Kangli")	An entity controlled by key management personnel
Guangzhou Kangji Investment Consultancy Co., Ltd. ("Kangji")	An entity controlled by key management personnel
Assets Builder Consultants Limited ("Assets Builder")	An entity controlled by a director
Double Grace International Limited ("Double Grace")	An entity controlled by a director
Wealthy Hero Limited ("Wealthy Hero")	An entity controlled by key management personnel
Loyal Team Management Limited ("Loyal Team")	An entity controlled by key management personnel

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 6 and certain of the highest paid employees as disclosed in Note 7, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries and other benefits	3,281	4,006	4,822	2,282	2,875
Retirement scheme of defined contribution.....	54	55	62	28	35
	3,335	4,061	4,884	2,310	2,910

Total remuneration is included in "staff costs" (see Note 4(a)).

(b) Financial guarantees

As at 31 December 2012, a financial guarantee amounted to RMB118 million was issued by Guangzhou Consun to Central Success Developments Limited in connection with a banking facility granted by a bank. The financial guarantee was released by the bank in March 2013.

(c) Balances with other related parties

As at the end of the reporting period, the Group had the following balances with related parties:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividends payable				
– Cannopus Investments Limited	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 Investments Limited	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	–
	444	1,333	16,669	5,180

* As part of the Reorganization, the Group acquired 6% equity interest in Guangzhou Consun from Qian'an, Kangsheng, Kangli and Kangji for considerations of RMB14,028,000 in aggregate. The considerations were settled in March 2013.

The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment. The balances will be settled prior to the listing of Company's shares on the Stock Exchange.

26 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value.

The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future years is adjusted if there are significant changes from previous estimation.

(b) Impairments

(i) In considering the impairment losses that may be required for certain property, plant and equipment and lease prepayments, recoverable amount of these assets needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of turnover and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs.

(ii) Impairment losses for investment in equity securities and doubtful debts are assessed and provided based on the directors' regular review of aging analysis and evaluation of collectability. A considerable level of judgment is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment losses would affect the net profit or loss in future years.

27 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of these financial statements, the HKICPA has issued of a number of amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in these financial statements. There include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities	1 January 2014
Amendments to HKAS 32, Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9, Financial instruments (2009)	1 January 2015
HKFRS 9, Financial instruments (2010)	1 January 2015
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: Disclosures – Mandatory effective date and transition disclosures	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments, is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact of the Group's results of operations and financial position.

C FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated in the Cayman Islands on 13 December 2010 with the authorised share capital of HK$100,000 divided into 1,000,000 Shares of HK$0.10 each. The Company has not carried on any business since the date of incorporation to 30 June 2013.

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Investment in subsidiaries	–	–	342,444	342,444
Current assets				
Amount due from a subsidiary	–	–	14,028	14,028
Other receivables	–	–	1,135	3,062
Total current assets	–	–	15,163	17,090
Current liabilities				
Other payables	341	614	2,429	4,405
Net current (liabilities)/assets	(341)	(614)	12,734	12,685
Total assets less current (liabilities)/assets	(341)	(614)	355,178	355,129
Capital and reserves				
Share capital	–	–	1	1
Reserves	(341)	(614)	355,177	355,128
Total equity	(341)	(614)	355,178	355,129

Capital and reserves

Details of the changes in the Company's individual components of equity are set out below:

	Share capital	Other reserves	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Shares issued on 13 December 2010	–	–	–	–
Total comprehensive income for the year	–	–	(341)	(341)
At 31 December 2010 and 1 January 2011	–	–	(341)	(341)
Total comprehensive income for the year	–	–	(273)	(273)
At 31 December 2011 and 1 January 2012	–	–	(614)	(614)
Shares issued upon Reorganisation (Note 20(a) and (d) of Section B)	1	356,472	–	356,473
Total comprehensive income for the year	–	–	(681)	(681)
At 31 December 2012 and 1 January 2013	1	356,472	(1,295)	355,178
Total comprehensive income for the period	–	–	(49)	(49)
At 30 June 2013	1	356,472	(1,344)	355,129

D SUBSEQUENT EVENTS

(a) Dividends appropriation

On 20 October 2013, the Company declared a special dividend of RMB51,555,000. The dividend declared after the end of Relevant Period has not been recognised as a liability as at 30 June 2013.

(b) Capitalisation issue

Pursuant to written resolution of the Company's shareholders passed on 2 December 2013, conditional upon the crediting of the share premium account of the Company as a result of the issue of the shares pursuant to the global offering set out in the section headed "STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING" in the Prospectus, the Company capitalises an amount of HK$74,999,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 749,990,000 shares, each of which will be allotted and issued to the shareholder of the Company.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2013.

Yours faithfully

KPMG
Certified Public Accountants
Hong Kong

The information set out in this appendix does not form part of the accountants' report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "FINANCIAL INFORMATION" in this prospectus and the accountants' report set out in Appendix I to this prospectus.

A. 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.

The following is the text of a report received from KPMG, Certified Public Accountants, Hong Kong, our Company's reporting accountants, in respect of the unaudited pro forma financial information of our Group, for the purpose of incorporation in this prospectus.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Consun Pharmaceutical Group Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Consun Pharmaceutical Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2013 and related notes as set out in Part A of Appendix II to the prospectus dated 9 December 2013 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 30 June 2013 as if the Global Offering had taken place at 30 June 2013. As part of this process, information about the Group's financial position as at 30 June 2013 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

9 December 2013

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 30 September 2013 of the property interests of the Group.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

9 December 2013

The Board of Directors
Consun Pharmaceutical Group Limited

Dear Sirs,

In accordance with your instructions to value the property interests held by Consun Pharmaceutical Group Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 September 2013 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or a liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the property interests of property nos. 4 to 7 in Group I by direct comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject properties.

Due to the nature of the buildings and structures of Part A of the property no. 1 and property nos. 2, 3 and 8 in Group I and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests have therefore been valued by cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the property interest of Part B of property no. 1 in Group I which is currently under construction, we have assumed that it will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees to be expended to complete the development.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Jingtian & Gongcheng Attorneys at Law, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was firstly carried out in April and June 2012 by Mr. Eric Wang and Mr. Michael Yu. Subsequent re-inspection of the properties was carried out in November 2013 by Ms. Sophie Chen and Ms. Charlotte Tang. Mr. Eric Wang and Mr. Michael Yu are China Certified Real Estate Appraisers; whilst Ms. Sophie Chen has more than 5 years' experience and Ms. Charlotte Tang has more than 1 year's experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T.W. Yiu
MRICS MHKIS RPS (GP)
Director

Notes: Eddie T.W. Yiu is a Chartered Surveyor who has 19 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I – Property interests owned and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 30 September 2013	Interest attributable to the Group	Capital value attributable to the Group as at 30 September 2013
		RMB		*RMB*
1.	A parcel of land, 7 buildings and various structures No. 71 Dongpeng Avenue Guangzhou Economic and Technological Development Zone Guangzhou City Guangdong Province The PRC	102,468,000	100%	102,468,000
2.	A parcel of land, 4 buildings and various structures located at the east of No. 304 National Road Tiedong Industrial Zone Kezuohou Banner Tongliao City Inner Mongolia Autonomous Region The PRC	26,298,000	100%	26,298,000
3.	6 parcels of land, various buildings and structures located at North Yingbin Avenue Ganqika Town Kezuohou Banner Tongliao City Inner Mongolia Autonomous Region The PRC	44,240,000	100%	44,240,000
4.	Units 404 and 504 of Block 30 of Chunlan Garden No. 53 Jingxi Road Baiyun District Guangzhou City Guangdong Province The PRC	1,864,000	100%	1,864,000

No.	Property	Capital value in existing state as at 30 September 2013	Interest attributable to the Group	Capital value attributable to the Group as at 30 September 2013
		RMB		*RMB*
5.	6 residential units of Hongkang Garden located at Chunhui 2nd Street Guangzhou Economic and Technological Development Zone Guangzhou City Guangdong Province The PRC	4,394,000	100%	4,394,000
6.	A parcel of land and a residential building No. 9 Sixteen Street Fengyangyuan Country Garden Phoenix City Xintan Town Zengcheng City Guangdong Province The PRC	4,780,000	100%	4,780,000
7.	Units 221 to 223 of Block 2 of Diecuiyuan located at Daqingou Street Ganqika Town Kezuohou Banner Tongliao City Inner Mongolia Autonomous Region The PRC	No commercial value	100%	No commercial value
8.	Unit 304 of Block 3 and Units 301, 302, 305 and 306 of Block 4 of Kangyuan Residential Community located at Ganqika Town Kezuohou Banner Tongliao City Inner Mongolia Autonomous Region The PRC	No commercial value	100%	No commercial value
	Total:	**184,044,000**		**184,044,000**

VALUATION CERTIFICATE

Group I – Property interests owned and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2013
				RMB
1.	A parcel of land, 7 buildings and various structures No. 71 Dongpeng Avenue Guangzhou Economic and Technological Development Zone Guangzhou City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 41,037 sq.m. and 7 buildings and various structures erected thereon which were completed in various stages between 2003 and 2009. ("**Part A**") The property is located at the eastern side of Dongpeng Avenue and southern side of Jungong Road in Guangzhou Economic and Technological Development Zone of Guangzhou City. The property is located in a developed industrial zone and is well-served by several main roads such as Guangyuan Expressway and Kaifa Avenue. The buildings of Part A have a total gross floor area of approximately 15,749.4109 sq.m. and the details of uses and their respective gross floor areas are set out as follows: **Use** / **No. of Item** / **Gross Floor Area** *(sq.m.)* Production 2 9,261.0888 Office 1 6,081.2957 Warehouse 1 70.3106 Ancillary 3 336.7158 **Total 7 15,749.4109** The structures mainly include plant area roads and landscaped facilities. In addition to Part A, the property also comprises an industrial building under construction located on the land parcel of Part A. ("**Part B**") As advised by the Group, the development of Part B is scheduled to be completed in January 2014. Upon completion, Part B will have a gross floor area of approximately 6,180 sq.m. The construction cost of Part B is estimated to be approximately RMB35,000,000 of which approximately RMB34,047,000 has been paid up to the valuation date. The land use rights of the property have been granted for a term of 50 years expiring on 28 November 2049 for industrial use.	The property is currently occupied by the Group for production, office, storage and ancillary purposes, whilst, Part B is currently under construction.	102,468,000 100% interest attributable to the Group: RMB102,468,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Sui Kai Guo Yong (2001) Zi Di No. 008, the land use rights of a parcel of land with a site area of approximately 41,037 sq.m. have been granted to Guangzhou Consun Pharmaceutical Company Limited ("GZ Consun", a wholly-owned subsidiary of the Company), for a term of 50 years expiring on 28 November 2049 for industrial use.

2. Pursuant to a Building Ownership Certificate – Yue Fang Di Quan Zheng Sui Zi Di No. 0550002149, 7 buildings with a total gross floor area of approximately 15,749.4109 sq.m. are owned by GZ Consun.

3. Pursuant to a Construction Land Planning Permit – Sui Cheng Gui (Kai) Di Zi (2000) No. 3 in favour of GZ Consun, permission towards the planning of the land parcel of the property has been granted to GZ Consun.

4. Pursuant to a Construction Work Planning Permit – Sui Kai Gui Jian Zheng (2012) No. 39 in favour of GZ Consun, Part B has been approved for construction.

5. Pursuant to a Construction Work Commencement Permit – Sui Kai Jian Shi (2012) No. 83 in favour of GZ Consun, permission by the relevant local authority was given to commence the construction work of Part B.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Group is legally in possession of the land use rights of the property mentioned in note 1 and has the rights to transfer, lease, mortgage and otherwise legally dispose of such land use rights without paying any additional expenses in accordance with the PRC laws;

   b. The Group is the sole legal owner of building ownership rights of the buildings mentioned in note 2 and has the rights to legally occupy, use, transfer, lease, mortgage and otherwise dispose of the buildings without paying any additional expenses;

   c. The land parcel and the buildings of the property are free from any other warrants, mortgages, sequestration or subject to restriction of other rights; and

   d. There is no legal impediment for the Group to apply for the building ownership certificate regarding the building mentioned in notes 4 to 5.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2013
				RMB
2.	A parcel of land, 4 buildings and various structures located at the east of No. 304 National Road Tiedong Industrial Zone Kezuohou Banner Tongliao City Inner Mongolia Autonomous Region The PRC	The property comprises a parcel of land with a site area of approximately 53,642 sq.m. and 4 buildings and various structures erected thereon which were completed in 2007 and 2013. The property is located at the east of No. 304 National Road of Tongliao City. It is served by several main roads and is close to No. 305 Provincial Road and Ganqika Railway Station. The buildings have a total gross floor area of approximately 10,997.75 sq.m. and the details of uses and their respective gross floor areas are set out as follows: **Use** / **No. of Item** / **Gross Floor Area** *(sq.m.)* Production: 3 / 10,339.95 Ancillary: 1 / 657.8 **Total: 4 / 10,997.75** The structures mainly include plant area boundary walls, roads, garages and cistern. The land use rights of the property have been granted for a term of 50 years expiring on 11 October 2056 for industrial use.	The property is currently occupied by the Group for production and ancillary purposes.	26,298,000 100% interest attributable to the Group: RMB26,298,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Hou Guo Yong (2006) Di No. 09654, the land use rights of a parcel of land with a site area of approximately 53,642 sq.m. have been granted to Consun Pharmaceutical (Inner Mongolia) Company Limited ("Consun (Inner Mongolia)", a wholly-owned subsidiary of the Company), for a term of 50 years expiring on 11 October 2056 for industrial use.

2. Pursuant to a Building Ownership Certificate – Hou Fang Quan Zheng Gan Qi Ka Zi Di No. 1013, 2 industrial buildings and an ancillary building with a total gross floor area of approximately 8,666.96 sq.m. are owned by Consun (Inner Mongolia).

3 For the remaining industrial building of the property with a gross floor area of approximately 2,330.79 sq.m., we have not been provided with any Building Ownership Certificate.

4. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 15 2011-044 in favour of Consun (Inner Mongolia), permission towards the planning of the land parcel of the property have been granted to Consun (Inner Mongolia).

5. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 15 2011-044 in favour of Consun (Inner Mongolia), an industrial building with a gross floor area of approximately 2,330.79 sq.m. mentioned in note 3 has been approved for construction.

6. Pursuant to a Construction Work Commencement Permit – No. 152323201105020102 in favour of Consun (Inner Mongolia), permission by the relevant local authority was given to commence the construction work of the industrial building mentioned in note 3.

7. In the valuation of the property, we have attributed no commercial value to the industrial building of the property mentioned in note 3 which has not obtained the Building Ownership Certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building (excluding the land) as at the valuation date would be RMB4,565,000 assuming the relevant title certificate has been fully obtained and the building could be freely transferred.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Group is legally in possession of the land use rights of the property mentioned in note 1 and has the rights to transfer, lease, mortgage and otherwise legally dispose of such land use rights without paying any additional expenses in accordance with the PRC laws;

   b. The Group is the sole legal owner of building ownership rights of the buildings mentioned in note 2 and has the rights to legally occupy, use, transfer, lease, mortgage and otherwise dispose of the buildings without paying any additional expenses;

   c. The land parcel and the buildings of the property are free from any other warrants, mortgages, sequestration or subject to restriction of other rights; and

   d. The title certificate of the industrial building mentioned in note 7 is under application with the relevant authorities, there is no legal impediment for the Group to obtain the title certificate of the industrial building.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2013
				RMB
3.	6 parcels of land, various buildings and structures located at North Yingbin Avenue Ganqika Town Kezuohou Banner Tongliao City Inner Mongolia Autonomous Region The PRC	The property comprises 6 parcels of land with a total site area of approximately 132,491.5 sq.m. and 44 buildings and various structures erected thereon which were completed in various stages between 1972 and 2013. The property is located at North Yingbin Avenue of Ganqika Town of Tongliao City. It is served by several main roads and is close to No. 305 Provincial Road and Ganqika Railway station. The buildings have a total gross floor area of approximately 34,236.59 sq.m. and the details of uses and their respective gross floor areas are set out as follows: **Use** / **No. of Item** / **Gross Floor Area** *(sq.m.)* Production 9 19,118.05 Office 3 6,548.4 Ancillary 32 8,570.14 **Total 44 34,236.59** The structures mainly include plant area roads, garages and cistern. The land use rights of the property have been granted for terms of 50 years with the expiry dates between 30 September 2052 and August 2059 for industrial use.	The property is currently occupied by the Group for production, office and ancillary purposes, except portion of the property is let to an independent third party (see note 8).	44,240,000 100% interest attributable to the Group: RMB44,240,000

Notes:

1. Pursuant to 6 State-owned Land Use Rights Certificates, the land use rights of the property have been granted to Inner Mongolia Kangyuan Pharmaceutical Company Limited ("Kangyuan", a wholly-owned subsidiary of the Company), for terms of 50 years for industrial use with the particulars as follows:

State-owned Land Use Right Certificate	Site Area *(sq.m.)*	Expiry Date	Issued Date
Hou Guo Yong (2003) Zi Di No. 08313	6,400	2052-9-30	2003-9-27
Hou Guo Yong (2003) Zi Di No. 08411	3,508.14	2053-12-19	2003-12-29
Hou Guo Yong (2009) Zi Di No. 11747	72,620	2052-9-30	2009-5-21
Hou Guo Yong (2009) Zi Di No. 11964	16,998.16	2059-8	2009-8-20
Hou Guo Yong (2012) Zi Di No. 15090	7,638	2053-11-18	2012-12-13
Hou Guo Yong (2012) Zi Di No. 15091	25,327.2	2053-11-11	2012-12-13
Total:	**132,491.5**		

2. Pursuant to 4 Building Ownership Certificates – Fang Quan Zheng Tie Dong Yao Chang Zi Di Hao, Fang Quan Zheng Tie Dong Yao Chang Zi Di Hao, Fang Quan Zheng Hua Gong Chang Zi Di Hao and Fang Quan Zheng Zi Di Hao, 42 buildings with a total gross floor area of approximately 24,033.67 sq.m. are owned by Kangyuan.

3. For the remaining 2 buildings of the property with a total gross floor area of approximately 10,202.92 sq.m., we have not been provided with any Building Ownership Certificates.

4. Pursuant to 2 Construction Land Planning Permits – Di Zi Di Nos. 15 2010-049 and 15 2011-043 in favour of Kangyuan, permission towards the planning of the land parcel of the property have been granted to Kangyuan.

5. Pursuant to 2 Construction Work Planning Permits – Jian Zi Di Nos. 15 2010-049 and 15 2011-043 in favour of Kangyuan, 2 buildings mentioned in note 3 have been approved for construction.

6. Pursuant to 2 Construction Work Commencement Permits – Nos. 152323201009120101 and 152323201105020101 in favour of Kangyuan, permission by the relevant local authority was given to commence the construction works of the 2 building mentioned in note 3.

7. Pursuant to a Construction Work Completion and Inspection Acceptance Certificate – Hou Gui Jian She Yan Shou 2013 Di No. 15, 1 of the 2 buildings mentioned in note 3 with a gross floor area of approximately 5,686 sq.m. has been approved to be complied with the urban and rural planning requirements.

8. Pursuant to a Tenancy Agreement entered into between Kangyuan and Beijing Zhuang Di Hao He Biomedical Technology Company Limited (北京莊迪浩禾生物醫學科技有限公司) (the "Lessee"), an independent third party of the Company, an industrial building of the property with a lettable area of approximately 2,200 sq.m. is leased to the Lessee for a term of 10 years commencing from 1 November 2005 and expiring on 31 October 2015 at an annual rent of RMB100,000 in the first three years and RMB150,000 for the last seven years exclusive of water, electric and other fees.

9. In the valuation of the property, we have attributed no commercial value to the 2 buildings mentioned in note 3 which have not obtained the Building Ownership Certificates. However, for reference purpose, we are of the opinion that the depreciated replacement costs of these buildings (excluding the land) as at the valuation date would be RMB20,486,000 assuming the relevant title certificates have been fully obtained and the buildings could be freely transferred.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. The Group is legally in possession of the land use rights of the property mentioned in note 1 and has the rights to transfer, lease, mortgage and otherwise legally dispose of such land use rights without paying any additional expenses in accordance with the PRC laws;

    b. The Group is the sole legal owner of building ownership rights of the buildings mentioned in note 2 and has the rights to legally occupy, use, transfer, lease, mortgage and otherwise dispose of the buildings without paying any additional expenses;

    c. The land parcel and the buildings of the property are free from any other warrants, mortgages, sequestration or subject to restriction of other rights;

    d. The Tenancy Agreement mentioned in note 8 is legal and valid and enforceable on the relevant parties; and

    e. For the 2 buildings mentioned in note 9 which have not obtained the relevant title certificates, based on the pre-condition that the Group has obtained the relevant Construction Work Completion and Inspection Acceptance Certificate, there are no legal impediment for the Group to obtain the title certificates.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2013
				RMB
4.	Units 404 and 504 of Block 30 of Chunlan Garden No. 53 Jingxi Road Baiyun District Guangzhou City Guangdong Province The PRC	The property comprises 2 residential units on Levels 4 and 5 of a 9-storey residential building known as Block 30 of Chunlan Garden completed in 1998. The property is located at No. 53 Jingxi Road in Baiyun District of Guangzhou City. It is well-served by public transportation and is close to Jingxi Subway Station. It is surrounded by residential communities and is near Baiyunshan Scenic Area. The residential units of the property have a total gross floor area of approximately 98.6 sq.m. The land use rights of the property have been granted for a term of 70 years commencing from 8 January 1993 for residential use.	The property is currently occupied by the Group for residential purpose.	1,864,000 100% interest attributable to the Group: RMB1,864,000

Notes:

1. Pursuant to 2 Real Estate Title Certificates – Yue Fang Di Quan Zheng Sui Zi Di Nos. 0150194254 and 0150194255, 2 residential units with a total gross floor area of approximately 98.6 sq.m. are owned by Guangzhou Consun Pharmaceutical Company Limited ("GZ Consun", a wholly-owned subsidiary of the Company) and the relevant land use rights have been granted for a term of 70 years commencing from 8 January 1993 for residential use.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. The Group is the sole legal owner of the property and has the rights to legally occupy, use, transfer, lease, mortgage and otherwise dispose of the property without paying any additional expenses; and

   b. The property is free from any other warrants, mortgages, sequestration or subject to restriction of other rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2013
				RMB
5.	6 residential units of Hongkang Garden located at Chunhui 2nd Street Guangzhou Economic and Technological Development Zone Guangzhou City Guangdong Province The PRC	The property comprises 6 residential units on Levels 2 and 7 of two 7-storey residential buildings known as Block 8 and 10 of Hongkang Garden completed in 2000. The property is located at Chunhui 2nd street in Guangzhou Economic and Technological Development Zone of Guangzhou city. It is well-served by public transportation and is close to several main roads such as Kaichuang Avenue and Guangshen West Avenue. It is surrounded by residential communities with good public facilities. The residential units of the property have a total gross floor area of approximately 543.8322 sq.m. The land use rights of the property have been granted for a term of 70 years commencing from 24 May 1994 for residential use.	The property is currently occupied by the Group for residential purpose.	4,394,000 100% interest attributable to the Group: RMB4,394,000

Notes:

1. Pursuant to 6 Real Estate Title Certificates – Sui Fang Di Zheng Zi Di Nos. 0806291 to 0806293 and 0806296 to 0806298, 6 residential units (Unit nos. 208 and 705 to 707 of Block 8 and Unit nos. 702 and 703 of Block 10) with a total gross floor area of approximately 543.8322 sq.m. are owned by Guangzhou Consun Pharmaceutical Company Limited ("GZ Consun", a wholly-owned subsidiary of the Company) and the relevant land use rights have been granted for a term of 70 years commencing from 24 May 1994 for residential use.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Group is the sole legal owner of the property and has the rights to legally occupy, use, transfer, lease, mortgage and otherwise dispose of the property without paying any additional expenses; and

   b. The property is free from any other warrants, mortgages, sequestration or subject to restriction of other rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2013
				RMB
6.	A parcel of land and a residential building No. 9 Sixteen Street Fengyangyuan Country Garden Phoenix City Xintan Town Zengcheng City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 156.68 sq.m. and a 3-storey residential building erected thereon located in a residential community known as Country Garden Phoenix City completed in 2011. The property is located in a high-end residential community with good public facilities and is close to Guangyuan Expressway and Xinxin Avenue. The residential building has a gross floor area of approximately 246.37 sq.m. The land use rights of the property have been granted for a term of 70 years expiring on 28 June 2074 for residential use.	The property is currently occupied by the Group for residential purpose.	4,780,000 100% interest attributable to the Group: RMB4,780,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Yue Fang Di Quan Zheng Sui Zi Di No. 1220035669, a residential building with a gross floor area of approximately 246.37 sq.m. is owned by Guangzhou Consun Pharmaceutical Research Company Limited ("Consun Research", a wholly-owned subsidiary of the Company) and the relevant land use rights with a site area of approximately 156.68 sq.m. have been granted for a term of 70 years expiring on 28 June 2074 for residential use.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Group is the sole legal owner of the property and has the rights to legally occupy, use, transfer, lease, mortgage and otherwise dispose of the property without paying any additional expenses; and

   b. The property is free from any other warrants, mortgages, sequestration or subject to restriction of other rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2013
				RMB
7.	Units 221 to 223 of Block 2 of Diecuiyuan located at Daqingou Street Ganqika Town Kezuohou Banner Tongliao City Inner Mongolia Autonomous Region The PRC	The property comprises 3 residential units on Level 2 of a 6-storey residential building known as Block 2 of Diecuiyuan completed in 2007. The property is located at the northern side of Daqingou Street, Ganqika Town of Tongliao City. It is near the center of the town and is well-served by public facilities. The property has a total gross floor area of approximately 192.1 sq.m.	The property is currently occupied by the Group for residential purpose.	No commercial value

Notes:

1. Pursuant to 3 Building Ownership Certificates – Fang Quan Zheng Jiao Tong Dui Zi Di Nos. 2699 to 2701, 3 residential units with a total gross floor area of approximately 192.1 sq.m. are owned by Consun Pharmaceutical (Inner Mongolia) Company Limited, a wholly-owned subsidiary of the Company.

2. We have not been provided with any land use rights certificates of the property.

3. In the valuation of the property, we have attributed no commercial value to the property which has not obtained the relevant land use rights certificates. However, for reference purpose, we are of the opinion that the capital value of the property as at the valuation date would be RMB416,000 assuming the relevant title certificates have been fully obtained by the Group and the property could be freely transferred.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. As the Group has obtained the Building Ownership Certificates but has not obtained the relevant State-owned Land Use Rights Certificates of the property, the Group is the legal owner of the property but not has the rights to legally transfer or mortgage the property; and

   b. The property is free from any other warrants, mortgages, sequestration or subject to restriction of other rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2013
				RMB
8.	Unit 304 of Block 3 and Units 301, 302, 305 and 306 of Block 4 of Kangyuan Residential Community located at Ganqika Town Kezuohou Banner Tongliao City Inner Mongolia Autonomous Region The PRC	The property comprises 5 residential units on Level 3 of two 5-storey residential buildings known as Block 3 and Block 4 of Kangyuan Residential Community completed in 2004. The property is located at the southern side of No. 304 National Road and northern side of Daqinggou Street of Ganqika Town, Tongliao City. It is well-served by several roads and public facilities such as schools, hospitals and retail stores. The residential units of the property have a total gross floor area of approximately 519.94 sq.m. The land use rights of the property have been leased to Inner Mongolia Kangyuan Pharmaceutical Company Limited ("Kangyuan", a wholly-owned subsidiary of the Company) for residential use.	The property is currently occupied by the Group for residential purpose.	No commercial value

Notes:

1. Pursuant to 5 State-owned Land Use Rights Certificates – Hou Guo Yong (2012) Di Nos. 15088, 15089 and 15092 to 15094, the land use rights of the property with a total site area of approximately 357.19 sq.m. have been leased to Kangyuan for residential use. The lease will expire on 26 June 2022.

2. We have not been provided with any Building Ownership Certificates of the property.

3. In the valuation of the property, we have attributed no commercial value to the property which is erected on leased land and has not obtained the Building Ownership certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the property (excluding the land) as at the valuation date would be RMB462,000, assuming the relevant title certificates have been fully obtained by the Group and the property could be freely transferred.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Group legally leased the land use rights of the property mentioned in note 1 and has the rights to transfer, sub-lease and mortgage such land use rights after obtaining consent from relevant land authorities in accordance with the PRC laws;

   b. The land parcels of the property are free from any other warrants, mortgages, sequestration or subject to restriction of other rights; and

   c. As the Group has not provided any relevant Building Ownership Certificates of the 5 residential units of the property, the Company's PRC legal advisers cannot confirm whether the residential units are legally owned by the Group, and the Group cannot transfer or mortgage such residential units before obtaining the relevant Building Ownership Certificates.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 December 2010 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and the Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 2 December 2013 and effective on the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares

with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or

(ee) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

(gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital – subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution – majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

(i) the chairman of the meeting; or

(ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of Directors in place of those retiring;

(dd) the appointment of auditors;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

(ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and

(iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 13 December 2010 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Cayman Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Cayman Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets

(including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

(i) an act which is *ultra vires* the company or illegal;

(ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

(iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from 3 September 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "APPENDIX VI – DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION" to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 13 December 2010.

We have been registered in Hong Kong under Part XI of the Companies Ordinance as a non-Hong Kong company and our principal place of business in Hong Kong is at Rooms 2201-2203, 22/F., World-Wide House, No. 19 Des Voeux Road Central, Hong Kong. In compliance with the requirements of the Companies Ordinance, Li & Partners has been appointed as our agent for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

Our Company was incorporated in the Cayman Islands and is subject to Cayman Islands law. Its constitution comprises a Memorandum of Association and Articles of Association. A summary of certain relevant parts of its constitution and certain relevant aspects of Companies Law is set out in "APPENDIX IV – SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW" to this prospectus.

2. Changes in share capital of our Company

(a) Increase in authorised share capital

(i) As at the date of incorporation of our Company on 13 December 2010, our authorised share capital was HK$100,000 divided into 1,000,000 Shares having a par value of HK$0.10 each.

(ii) On 2 December 2013, the authorised share capital of our Company was further conditionally increased to HK$500,000,000 by the creation of further 4,999,000,000 Shares pursuant to a resolution passed by the Shareholders.

(iii) Immediately following completion of the Global Offering and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK$500,000,000 divided into 5,000,000,000 Shares, of which 1,000,000,000 Shares will be issued fully paid or credited as fully paid, and 4,000,000,000 Shares will remain unissued.

Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraphs headed "Resolutions in writing of the Shareholders passed on 2 December 2013" and "Group reorganisation" of this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of the Shareholders passed on 2 December 2013

Written resolutions were passed by the Shareholders on 2 December 2013 pursuant to which, among other matters:

(a) our Company approved and adopted the Articles of Association conditional upon and with effect from the listing of the Shares on the Stock Exchange on the Listing Date;

(b) the authorised share capital of our Company was increased from HK$100,000 to HK$500,000,000 by the creation of further 4,999,000,000 Shares;

(c) conditional on (aa) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:

(i) the Global Offering and the grant of the Over-allotment Option by First Kind were approved and our Directors were authorised to allot and issue of the Offer Shares pursuant to the Global Offering;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 13 of this Appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at our Directors' absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

(iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise HK$74,999,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 749,990,000 Shares for allotment and issue to the holders of Shares whose names appear on the register of members of our Company at the close of business on 2 December 2013 (or as they may direct) in proportion to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Global Offering or the Capitalisation Issue, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20.0% of the aggregate nominal amount of the share capital of our Company in issue

immediately following completion of the Global Offering and the Capitalisation Issue, and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (vi) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Companies Law or any other applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to purchase or repurchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10.0% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and

(vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (v) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (vi) above.

(d) We approved the form and substance of each of the service contracts or letters of appointment made between each of our Directors and us.

4. Group reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange. For more details regarding the Reorganisation, please refer to section headed "HISTORY, REORGANISATION AND CORPORATE STRUCTURE – REORGANISATION" in this prospectus.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the accountants' report set out in "APPENDIX I – ACCOUNTANTS' REPORT" to this prospectus.

For details of the alterations in the share capital of each of our Company's subsidiaries within the two years immediately preceding the date of this prospectus, please refer to the section headed "HISTORY, REORGANISATION AND CORPORATE STRUCTURE" in this prospectus.

6. Securities repurchase mandate

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholder, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution in writing passed by the Shareholders on 2 December 2013, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC of Hong Kong and the Stock Exchange for this purpose, of up to 10.0% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

(c) Reasons for repurchases

Our Directors believe that it is in the best interest of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after the Listing, would result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. If the Repurchase Mandate is fully exercised immediately following completion of the Global Offering and the Capitalization Issue without taking into account any Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, the aggregate percentage shareholding of Guidoz, Central Success and Double Grace will be increased from approximately 47.5% to approximately 52.8% of the total issued share capital of our Company following full exercise of the Repurchase Mandate and Guidoz, Central Success and Double Grace may become obliged under Rule 26 of the Takeovers Code to make a mandatory offer unless a whitewash waiver is obtained. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25.0% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

7. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

Brilliant Reach

(a) an instrument of transfer dated 27 March 2012 entered into between Mr. YOUNG (as transferor) and our Company (as transferee) in respect of the transfer of 100.0% equity interests in Brilliant Reach to our Company in consideration of US$1.00;

Immense Value

(b) a sale and purchase agreement dated 29 March 2012 entered into between Hony Capital and our Company relating to the transfer of 100.0% equity interests in Immense Value from Hony Capital to our Company;

GZ Consun

(c) an equity transfer agreement dated 19 November 2012 and entered into between Cannopus and Century International, pursuant to which Century International agreed to acquire 69.0% equity interest in GZ Consun for a consideration of approximately RMB161.3 million;

(d) an equity transfer agreement dated 19 November 2012 and entered into between Qian'an and Century International, pursuant to which Century International agreed to acquire 4.24% equity interest in GZ Consun for a consideration of approximately RMB9.9 million;

(e) an equity transfer agreement dated 19 November 2012 and entered into between Kangsheng and Century International, pursuant to which Century International agreed to acquire 0.95213% equity interest in GZ Consun for a consideration of approximately RMB2.2 million;

(f) an equity transfer agreement dated 19 November 2012 and entered into between Kangli and Century International, pursuant to which Century International agreed to acquire 0.45464% equity interest in GZ Consun for a consideration of approximately RMB1.1 million;

(g) an equity transfer agreement dated 19 November 2012 and entered into between Kangji and Century International, pursuant to which Century International agreed to acquire 0.35323% equity interest in GZ Consun for a consideration of approximately RMB0.8 million;

(h) an equity transfer agreement dated 19 November 2012 and entered into between Faithful Gain and Grand Reach, pursuant to which Grand Reach agreed to acquire 5.0% equity interest in GZ Consun for a consideration of approximately RMB11.7 million;

(i) a deed of waiver dated 20 November 2012 and entered into between Grand Reach and Faithful Gain, pursuant to which a consideration of approximately RMB11.7 million for the transfer of 5.0% equity interest in GZ Consun from Faithful Gain to Grand Reach was waived;

(j) a deed of set-off dated 24 December 2012 and entered into among Cannopus, Century International and our Company, pursuant to which a consideration of approximately RMB161.3 million for our Company to allot and issue 6,899 Shares to Cannopus and another equivalent consideration for the transfer of 69.0% equity interest in GZ Consun from Cannopus to Century International were set off among the parties;

Others

(k) a sale and purchase agreement dated 29 March 2012 entered into between Mr. WANG Zi Han and our Company relating to the transfer of 100.0% equity interests in Ample On from Mr. WANG Zi Han to our Company;

(l) an instrument of transfer dated 19 December 2012 entered into between our Company (as transferor) and Mr. WANG Zi Han (as transferee) in respect of the transfer of 100.0% equity interests in Ample On to Mr. WANG Zi Han in consideration of US$1.00;

(m) a deed of indemnity dated 2 December 2013 and executed by the Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries stated therein) containing the indemnities more particularly referred to in paragraph 14 of this Appendix;

(n) a deed of non-competition dated 2 December 2013 and executed by the Controlling Shareholders in favor of our Company in respect of certain non-competition undertaking given by the Controlling Shareholders in favor of our Group;

(o) a cornerstone investment agreement dated 4 December 2013 entered into between our Company, Golden China Master Fund and the Sole Bookrunner, details of which are set out in the section headed “Cornerstone Investors” in this prospectus;

(p) a cornerstone investment agreement dated 4 December 2013 entered into between our Company, Golden China Plus Master Fund and the Sole Bookrunner, details of which are set out in the section headed “Cornerstone Investors” in this prospectus;

(q) a cornerstone investment agreement dated 4 December 2013 entered into between our Company, Greenwoods China Alpha Master Fund and the Sole Bookrunner, details of which are set out in the section headed “Cornerstone Investors” in this prospectus; and

(r) the Hong Kong Underwriting Agreement.

8. Intellectual property rights of our Group

(a) Trade marks

As at the Latest Practicable Date, our Group is the registered proprietor and beneficial owner of the following material trademarks:

No.	Trademark	Place of Registration	Class	Registration number	Duration of Validity	Registered Owner
1.	CONSUN 康臣	Hong Kong	5	300774973	7 December 2006 to 6 December 2016	GZ Consun
2.	A 康臣 B 康臣 C 康臣 D 康臣	Hong Kong	5 42	302186758	9 March 2012 to 8 March 2022	GZ Consun
3.	A CONSUN B CONSUN C CONSUN D CONSUN	Hong Kong	5 42	302186767	9 March 2012 to 8 March 2022	GZ Consun
4.	A B C D	Hong Kong	5 42	302186776	9 March 2012 to 8 March 2022	GZ Consun
5.	A 康臣药业 B 康臣药业 C 康臣藥業 D 康臣藥業	Hong Kong	5 42	302186785	9 March 2012 to 8 March 2022	GZ Consun
6.	CONSUN	PRC	5	3600610	21 July 2005 to 20 July 2015	GZ Consun

No.	Trademark	Place of Registration	Class	Registration number	Duration of Validity	Registered Owner
7.	CONSUN	PRC	10	3591155	14 January 2005 to 13 January 2015	GZ Consun
8.	康臣	PRC	43	4933965	28 May 2009 to 27 May 2019	GZ Consun
9.	康臣	PRC	5	3600611	21 July 2005 to 20 July 2015	GZ Consun
10.	康臣	PRC	10	3591141	14 January 2005 to 13 January 2015	GZ Consun
11.		PRC	5	3600612	21 July 2005 to 20 July 2015	GZ Consun
12.		PRC	10	3591154	14 January 2005 to 13 January 2015	GZ Consun
13.	CONSUN 康臣药业	PRC	5	5601667	7 May 2010 to 6 May 2020	GZ Consun
14.	CONSUN 康 臣	PRC	44	5601666	21 March 2010 to 20 March 2020	GZ Consun
15.		PRC	40	3591142	21 March 2005 to 20 March 2015	GZ Consun
16.	CONSUN	PRC	40	3591143	21 March 2005 to 20 March 2015	GZ Consun
17.	康臣	PRC	40	3591144	21 March 2005 to 20 March 2015	GZ Consun
18.		PRC	44	3591145	21 July 2005 to 20 July 2015	GZ Consun
19.	CONSUN	PRC	44	3591146	14 July 2005 to 13 July 2015	GZ Consun
20.	康臣	PRC	44	3591147	14 July 2005 to 13 July 2015	GZ Consun

No.	Trademark	Place of Registration	Class	Registration number	Duration of Validity	Registered Owner
21.	源克敢	PRC	5	4123778	7 April 2007 to 6 April 2017	Kangyuan
22.	源渡宁	PRC	5	4123779	7 April 2007 to 6 April 2017	Kangyuan
23.	源为舒	PRC	5	4123780	7 April 2007 to 6 April 2017	Kangyuan
24.	源清克	PRC	5	4123781	7 April 2007 to 6 April 2017	Kangyuan
25.	源通宁	PRC	5	4123782	7 April 2007 to 6 April 2017	Kangyuan

(b) Domain Names

As at the Latest Practicable Date, our Group has the following registered material domain names:

Domain Name	Date of registration	Date of expiry
Chinaconsun.cn	14 May 2012	14 May 2019

(c) Patents

As at the Latest Practicable Date, our Group is the registered proprietor and beneficial owner of the following material patents:

No.	Patent	Place of Registration	Type	Patent number	Registration Period	Registered Owner
1.	A preparation method of medicines for the treatment of chronic renal failure (一種治療慢性腎功能衰竭藥物的製備方法)	PRC	Invention Patent	ZL 2004 10026488.1	20 years starting from 17 March 2004	GZ Consun
2.	A combination of Chinese medicines for the treatment of nephrotic syndrome and its preparation method (一種治療腎病綜合症的中藥組合物及其製備方法)	PRC	Invention Patent	ZL 2006 10011865.3	20 years starting from 9 May 2006	GZ Consun
3.	A combination of medicines for the treatment of diabetic nephropathy, its preparation method and application (一種治療糖尿病腎病的藥物組合物及其製備方法和應用)	PRC	Invention Patent	2009 10036716.6	20 years starting from 16 January 2009	Consun (Inner Mongolia)

No.	Patent	Place of Registration	Type	Patent number	Registration Period	Registered Owner
4.	A combination of Chinese medicines for the treatment of Irritable bowel syndrome and its preparation method (治療腸易激綜合症的中藥組合物及其製備方法)	PRC	Invention Patent	ZL 2004 10014704.0	20 years starting from 20 April 2004	GZ Consun
5.	A combination of Chinese medicines for the treatment of fatty liver disease and its preparation method (一種治療脂肪肝的中藥組合物及其製備方法)	PRC	Invention Patent	ZL 2006 10011638.0	20 years starting from 10 April 2006	GZ Consun
6.	A combination of Chinese medicines for the treatment of chronic nephritis and its preparation method (一種治療慢性腎炎的中藥組合物及其製備方法)	PRC	Invention Patent	ZL 2006 10011864.9	20 years starting from 9 May 2006	GZ Consun
7.	An application of total flavonoids of astragalus in preparation of medicines for the prevention and treatment of diabetic nephropathy (黃芪總黃酮在製備防治糖尿病腎病藥物中的應用)	PRC	Invention Patent	2008 10246855.7	20 years starting from 26 December 2008	GZ Consun

No.	Patent	Place of Registration	Type	Patent number	Registration Period	Registered Owner
8.	A combination of medicines for the prevention and treatment of diabetic nephropathy and its preparation method (一種防治糖尿病腎病的藥物組合物及其製備方法)	PRC	Invention Patent	ZL 2009 10036717.0	20 years starting from 16 January 2009	Consun Research
9.	A combination of medicines for the treatment of diabetic nephropathy, its preparation method and application (一種治療糖尿病腎病的藥物組合物及其製備方法和應用)	PRC	Invention Patent	ZL 2009 10036715.1	20 years starting from 16 January 2009	Consun Research
10.	A pharmaceutical composition for treating diabetic nephropathy and the preparation method thereof (一種治療糖尿病腎病的藥物組合物及其製備方法)	Hong Kong	Standard Patent	HK1145452	20 years starting from 16 January 2009	Consun Research
11.	A pharmaceutical composition for treating diabetic nephropathy and the preparation method and use thereof (一種治療糖尿病腎病的藥物組合物及其製備方法和應用)	Hong Kong	Standard Patent	HK1145453	20 years starting from 16 January 2009	Consun (Inner Mongolia)

No.	Patent	Place of Registration	Type	Patent number	Registration Period	Registered Owner
12.	A pharmaceutical composition for preventing and treating diabetic nephropathy and preparation method thereof (一種防治糖尿病腎病的藥物組合物及其製備方法)	Hong Kong	Standard Patent	HK1145454	20 years starting from 16 January 2009	Consun Research
13.	A pharmaceutical composition for diabetic nephropathy and its preparation and application	Japan	Invention Patent	5352598	20 years starting from 1 April 2009	Consun Research
14.	A pharmaceutical composition for preventing and treating diabetic nephropathy and the preparation method thereof	Korea	Invention Patent	10-1214751	20 years starting from 28 June 2010	Consun Research
15.	A pharmaceutical composition for treating diabetic nephropathy and its preparation method and application	Korea	Invention Patent	10-1187329	20 years starting from 25 June 2010	Consun Research

As at the Latest Practicable Date, our Group has applied for registration of the following material patents:

No.	Patent	Place of Application	Type	Application number	Date of Application	Applicant
1.	A preparation method of MRI contrast agent (一種磁共振成像造影劑的製備方法)	PRC	Invention Patent	201010288592.3	19 September 2010	Consun Research
2.	Pharmaceutical composition for preventing and treating diabetic nephropathy and the preparation method thereof	United States	Utility Patent	12/810,571	25 June 2010	Consun Research

No.	Patent	Place of Application	Type	Application number	Date of Application	Applicant
3.	Pharmaceutical composition for diabetic nephropathy and its preparation and application	United States	Utility Patent	12/823,357	25 June 2010	Consun Research
4.	Pharmaceutical composition for diabetic nephropathy and its preparation and application	United States	Utility Patent	12/823,305	25 June 2010	Consun Research
5.	A pharmaceutical composition for treating diabetic nephropathy and the preparation method and use thereof	Europe	European Patent	09833902.1	31 March 2009	Consun Research
6.	A pharmaceutical composition for treating diabetic nephropathy and the preparation method and use thereof	Europe	European Patent	09833894.0	1 April 2009	Consun Research
7.	A pharmaceutical composition for preventing and treating diabetic nephropathy and preparation method thereof	Europe	European Patent	09833900.5	1 April 2009	Consun Research

No.	Patent	Place of Application	Type	Application number	Date of Application	Applicant
8.	A pharmaceutical composition for treating diabetic nephropathy and the preparation method and use thereof	Japan	Invention Patent	2010-546200	25 June 2010	Consun Research
9.	A pharmaceutical composition for preventing and treating diabetic nephropathy and preparation method thereof	Japan	Invention Patent	2010-546202	28 June 2010	Consun Research
10.	A pharmaceutical composition for treating diabetic nephropathy and the preparation method and use thereof	Korea	Invention Patent	10-2010-7014242	28 June 2010	Consun Research
11.	A pharmaceutical composition for diabetic nephropathy and its preparation and application	India	Invention Patent	3954/CHENP/2010	25 June 2010	Consun Research
12.	A pharmaceutical composition for diabetic nephropathy and its preparation and application	India	Invention Patent	3955/CHENP/2010	25 June 2010	Consun Research

9. Connected transactions and related party transactions

Save as disclosed in the sections headed "BUSINESS", "RELATIONSHIP WITH CONTROLLING SHAREHOLDERS", "FINANCIAL INFORMATION" and in note 25 to the accountants' report, the text of which is set out in "APPENDIX I – ACCOUNTANTS' REPORT" to this prospectus, during the two years immediately preceding the date of this prospectus, our Company has not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

10. Directors

(a) Disclosure of interests of our Directors

(i) Each of Mr. YOUNG, Mr. WANG Zi Han, Ms. LI and Mr. AN is interested in the Reorganisation and the transactions as contemplated under the material contracts as set out in the paragraph 7 of this Appendix.

(ii) Save as disclosed in this prospectus, none of our Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Particulars of Directors' service contracts and letters of appointment

Executive Directors

Each of the executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party on the other. Each of the executive Directors is entitled to their respective basic salaries set out below.

The current basic annual salaries of the executive Directors payable under their service contracts are as follows:

Name	Annual salary
	(RMB)
Mr. AN	2,380,000
Ms. LI	2,280,000
Professor ZHU Quan	1,200,000

Non-executive Directors

Each of the non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party on the other. Each of the non-executive Directors is entitled to their respective basic salaries set out below.

The current basic annual salaries of the non-executive Directors payable under their letters of appointment are as follows:

Name	Annual Salary
	(RMB)
Mr. YOUNG	–
Mr. WANG Shunlong	–
Mr. WANG Zi Han	–

Independent non-executive Directors

Each of the independent non-executive Directors has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date, which shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term until terminated by either party giving not less than three months' written notice to the other expiring at the end of the initial term of their appointment or any time thereafter. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of the independent non-executive Directors is entitled to a director's fee of HK$150,000 per annum. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract or letter of appointment with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Directors remuneration

(i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of three years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2013 were approximately RMB1,932,000, RMB2,544,000, RMB2,948,000 and RMB1,457,000, respectively.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including the independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2013 are expected to be approximately RMB3,204,000.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for three years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2013 (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to any emoluments for three years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2013.

(d) Interests and short positions of Directors in the shares, underlying shares or debentures of our Company and our associated corporations

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be sold by First Kind pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

Our Company

Name of Director	Nature of interest and capacity	Number and class of securities[(1)]	Approximate percentage of shareholding
Mr. YOUNG[(2)]	Interest of a controlled corporation	160,050,000 Shares (L)	16.0%
Mr. AN[(3)]	Interest of a controlled corporation	195,000,000 Shares (L)	19.5%
	Trustee and interest of a controlled corporation[(6)]	7,140,975 Shares (L)	0.7141%
Ms. LI[(4)]	Interest of a controlled corporation	120,000,000 Shares (L)	12.0%
Mr. WANG Zi Han[(5)]	Interest of a controlled corporation	37,500,000 Shares (L)	3.75%

Notes:

(1) The letter "L" denotes our Directors' long position in the shares of our Company or the relevant associated corporation.

(2) The entire issued share capital of Guidoz is owned by Mr. YOUNG, therefore, Mr. YOUNG is deemed to be interested in all the Shares held by Guidoz under the provisions of SFO.

(3) The entire issued share capital of Central Success is owned by Mr. AN, therefore, Mr. AN is deemed to be interested in all the Shares held by Central Success under the provisions of SFO.

(4) The entire issued share capital of Double Grace is owned by Ms. LI, therefore, Ms. LI is deemed to be interested in all the Shares held by Double Grace under the provisions of SFO. In addition, Wealthy Hero holds 3,409,800 Shares, representing 0.3410% interest in our issued share capital. Ms Li is the beneficial owner of 32.8248% equity interest in Wealthy Hero.

(5) The entire issued share capital of Ample Wise is owned by Mr. WANG Zi Han, therefore, Mr. WANG Zi Han is deemed to be interested in all the Shares held by Ample Wise under the provisions of SFO.

(6) The entire issued share capital of Assets Builder is held by Mr. AN. Only 18.8324% interest in Assets Builder is beneficially owned by Mr. AN. The remaining interests in Assets Builder are held by Mr. AN as a trustee for 17 employees or ex-employees of GZ Consun. Therefore, Mr. AN is also deemed to be interested in all the Shares held by Assets Builder under the provisions of SFO.

11. Interest discloseable under the SFO and Substantial Shareholders

So far as is known to our Directors, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking account of any Shares which may be taken up or acquired under the Global Offering and any Shares which may be sold by First Kind pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), other than our Director or chief executive whose interests are disclosed under the sub-paragraph headed "Interests and short positions of Directors in the shares, underlying shares or debentures of our Company and our associated corporations" above, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest and capacity	Number and class of securities[1]	Approximate percentage of shareholding
Guidoz[2][6]	Beneficial owner of our Company	160,050,000 Shares (L)	16.0%
Central Success[3][6]	Beneficial owner of our Company	195,000,000 Shares (L)	19.5%
Double Grace[4][6]	Beneficial owner of our Company	120,000,000 Shares (L)	12.0%
First Kind[5]	Beneficial owner of our Company	224,250,000 Shares (L)	22.43%
Hony Capital[5]	Interest of controlled corporation	224,250,000 Shares (L)	22.43%
Hony Capital Fund III GP, L.P.[5]	Interest of controlled corporation	224,250,000 Shares (L)	22.43%
Hony Capital Fund III GP Limited[5]	Interest of controlled corporation	224,250,000 Shares (L)	22.43%
Hony Capital Management Limited[5]	Interest of controlled corporation	224,250,000 Shares (L)	22.43%
Mr. John Huan ZHAO[5]	Interest of controlled corporation	224,250,000 Shares (L)	22.43%

Notes:

(1) The letter "L" denotes the person's long position in the shares of our Company or the relevant Group member.

(2) The entire issued share capital of Guidoz is legally and beneficially owned by Mr. YOUNG. By virtue of the SFO, Mr. YOUNG is deemed to be interested in all the Shares held by Guidoz.

(3) The entire issued share capital of Central Success is legally and beneficially owned by Mr. AN. By virtue of the SFO, Mr. AN is deemed to be interested in all the Shares held by Central Success.

(4) The entire issued share capital of Double Grace is legally and beneficially owned by Ms. LI. By virtue of the SFO, Ms. LI is deemed to be interested in all the Shares held by Double Grace.

(5) The entire issued share capital of First Kind is legally and beneficially owned by Hony Capital. Hony Capital is controlled by its sole general partner, Hony Capital Fund III GP, L.P.. Hony Capital Fund III GP, L.P. is in turn controlled by its sole general partner, Hony Capital Fund III GP Limited. Hony Capital Fund III GP Limited is wholly owned by Hony Capital Management Limited, which is in turn owned as to 20.0% by Legend Holdings Limited (through its wholly-owned subsidiary, Right Lane Limited) and 80.0% by Mr. John Huan ZHAO (through Hony Managing Partners Limited, a company wholly owned by him). Legend Holdings Limited is ultimately owned as to 36.0% by the Chinese Academy of Sciences (whose interests in Legend Holdings Limited are held through its wholly-owned subsidiary, Chinese Academy of Sciences Holdings Co., Ltd.), 24.0% by 北京聯持志遠管理諮詢中心(有限合夥) (Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership), 20.0% by China Oceanwide Holdings Group Co. Ltd., 8.9% by 北京聯恒永信投資中心(有限合夥) (Beijing Lian Heng Yong Xin Investment Center Limited Partnership), 3.4% by Mr. LIU Chuanzhi (柳傳志), 2.4% by Mr. ZHU Linan (朱立南), 1.8% by Mr. NING Min (寧旻), 1.5% by Mr. HUANG Shaokang (黃少康), 1.0% by Mr. CHEN Shaopeng (陳紹鵬) and 1.9% by Mr. TANG Xudong (唐旭東).

12. Disclaimers

Save as disclosed in this prospectus:

(a) assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be taken up or acquired under the Global Offering and any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being our Director or chief executive) who immediately following the completion of the Global Offering and the Capitalisation Issue will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

(c) none of our Directors nor any of the parties listed in the paragraph 20 below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;

(d) none of our Directors nor any of the parties listed in the paragraph 20 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group; and

(e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph 20 below:

(i) is interested legally or beneficially in any securities of any member of our Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

OTHER INFORMATION

13. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 2 December 2013.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

(ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

Our Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as our Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons ("**Eligible Participants**"):

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any Directors (including non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and

(iv) such other persons who, in the sole opinion of our Board, will contribute or have contributed to our Group, the assessment criteria of which are:

(aa) contribution to the development and performance of our Group;

(bb) quality of work performed for our Group;

(cc) initiative and commitment in performing his/her duties; and

(dd) length of service or contribution to our Group.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10.0% of the total number of Shares in issue on the Listing Date, being 100,000,000 Shares (the "Scheme Limit"), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, our Board may:

(i) renew this limit at any time to 10.0% of the Shares in issue (the "New Scheme Limit") as at the date of the approval by the Shareholders in general meeting; and/or

(ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by our Board. The circular issued by our Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30.0% of the Shares in issue from time to time (the "**Maximum Limit**"). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalisation issue, rights issue, open offer (if there is a price-dilutive element), consolidation, sub-division of shares or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of our Company but subsequently cancelled (the "**Cancelled Shares**") to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1.0% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1.0% limit shall be subject to:

(i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of our Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among other things:

(aa) the Eligible Participant's name, address and occupation;

(bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;

(cc) the date upon which an offer for an option must be accepted;

(dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);

(ee) the number of Shares in respect of which the option is offered;

(ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;

(gg) the date of the notice given by the grantee in respect of the exercise of the option;

(hh) the method of acceptance of the option which shall, unless our Board otherwise determines, be as set out in paragraph (c); and

(ii) such other terms and conditions (including, without limitation, any minimum period for which an option shall be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of our Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the Listing Rules.

(f) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(g) Granting options to connected persons

Any grant of options to our Director, chief executive or Substantial Shareholder (as defined in the Listing Rules) or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If our Board proposes to grant options to a Substantial Shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant, such further grant of options will be subject to the approval of the independent non-executive Directors as referred to in this paragraph, the issue of a circular by our Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;

(iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of Options

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of the results for any year, or half-year, or quarterly or other interim period (whether or not required under the Listing Rules); and ending on the date of actual publication of the results announcement.

(i) Rights are personal to grantee

An option is personal to the grantee. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Share Option Scheme by our Shareholders (the "**Adoption Date**"). Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of ten years from the Adoption Date.

(k) Performance target

A grantee may be required to achieve any performance targets as our Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment/death

If the grantee of an option ceases to be an Eligible Participant:

(i) by any reason other than death, ill-health, injury, disability or termination of his relationship with our Company and/or any of its subsidiaries on one of more of the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month (or such longer period as our Board may determine) from such cessation which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse (or such longer period as our Company may determine); or

(ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of our Board) and none of the events which would be a ground for termination of his relationship with our Company and/or any of its subsidiaries under paragraph (m) has occurred, the grantee or his personal representative(s) may exercise the option within a period of 12 months (or such longer period as our Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the Options in full (to the extent not already exercised).

(m) Rights on dismissal

If the grantee of an option ceases to be an Eligible Participant on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or has been in breach of contract, his option will lapse and not be exercisable after the date of termination of his employment.

(n) Rights on takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event that a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our Company no later than two Business Days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* and shall have the same voting, dividend, transfer and other rights (including those arising on liquidation) as are attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer (if there is a price-dilutive element), consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option and/or the Scheme Limit, the New Scheme Limit and the Maximum Limit as the auditors of our Company or an independent financial adviser shall certify in writing to our Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issues relating to share option schemes. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issues relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by our Board;

(ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n) or (o);

(iii) the date upon which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;

(iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

(v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or has been in breach of contract. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date upon which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

(i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted;

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme must still comply with Chapter 17 of the Listing Rules and any change to the authority of our Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) Cancellation of Options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (i).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or our Board may at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of our Board

The Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

(i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Lead Manager (for itself and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and

(iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within 12 calendar months from the Adoption Date:

(i) the Share Option Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 100,000,000 Shares in total.

14. Estate duty, tax and other indemnity

The Controlling Shareholders, (the "**Indemnifiers**") have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract m referred to in paragraph 7 above) to provide indemnities on a joint and several basis, in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing; and

(b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the deed of indemnity in respect of any taxation:

(a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 30 June 2013;

(b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 July 2013 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:

    (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; and

    (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in this prospectus; or

(c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the deed of indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 June 2013 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, the Indemnifiers have also undertaken to us that it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

15. Litigation

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to our Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

16. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$51,000 and are payable by our Company.

17. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to any promoters in connection with the Global Offering or the related transactions described in this prospectus.

18. Agency fees or commissions received

The commission and expenses relating to the Global Offering that are to be borne by our Company are set out in the section headed "Underwriting" in this prospectus. The Sponsor will also receive fees relating to the Global Offering.

19. Application for listing of Shares

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, being up to 10.0% of the Shares in issue on the Listing Date, on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

20. Selling shareholder

Name:	First Kind
Place of incorporation:	British Virgin Islands
Registered office:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Nature of business:	Investment holding
Number of Shares to be sold:	37,500,000 Shares if the Over-allotment Option is fully exercised

21. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
BOCI Asia Limited	Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under SFO
KPMG	Certified public accountants
Appleby	Legal advisers to our Company as to Cayman Islands law
Jingtian & Gongcheng	PRC legal advisers to our Company
Jia Yuan Law Offices	PRC legal advisers to the Underwriters
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Professional surveyor

22. Consents of experts

Each of BOCI Asia Limited, KPMG, Appleby, Jingtian & Gongcheng, Jia Yuan Law Offices and Jones Lang LaSalle Corporate Appraisal and Advisory Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, valuation, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

23. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

24. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) The Cayman Islands

Under the present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty provided that the Company does not hold any interest in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

25. Miscellaneous

(a) Save as disclosed herein:

(i) within two years preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(b) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2013 (being the date to which the latest consolidated financial statements of our Group were made up).

26. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE** and **YELLOW** and **GREEN** Application Forms, the written consents referred to in the paragraph headed "APPENDIX V – STATUTORY AND GENERAL INFORMATION – OTHER INFORMATION – Consents of experts" in this prospectus, and certified copies of the material contracts referred to in the paragraph headed "APPENDIX V – STATUTORY AND GENERAL INFORMATION – Summary of material contracts" in this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Li & Partners at 22nd Floor, World-Wide House Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum of Association and the Articles of Association;

(b) the Accountants' Report prepared by KPMG, the text of which is set out in "APPENDIX I – ACCOUNTANTS' REPORT" to this prospectus;

(c) the report on the unaudited pro forma financial information of our Group from KPMG, the text of which is set out in "APPENDIX II – UNAUDITED PRO FORMA FINANCIAL INFORMATION" to this prospectus;

(d) the audited consolidated financial statements of our Company for each of the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013;

(e) the letter, summary of values and valuation certificates relating to the property interests of our Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in "APPENDIX III – PROPERTY VALUATION" to this prospectus;

(f) the Companies Law;

(g) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in "APPENDIX IV – SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW" to this prospectus;

(h) the legal opinions prepared by Jingtian & Gongcheng in respect of certain aspects of our Group and the property interests of our Group in the PRC and summary of PRC laws and regulations relating to our business;

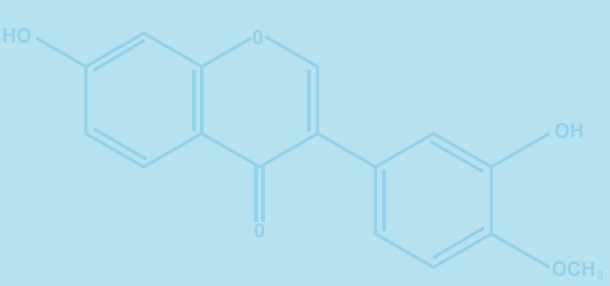
(i) the legal opinion prepared by Jia Yuan Law Offices in respect of certain aspects of Our Group in the PRC;

(j) the material contracts referred to in the paragraph headed "APPENDIX V – STATUTORY AND GENERAL INFORMATION – Summary of material contracts" to this prospectus;

(k) the written consents referred to in the paragraph headed "APPENDIX V – STATUTORY AND GENERAL INFORMATION – Consents of experts" to this prospectus;

(l) the Share Option Scheme; and

(m) the service contracts or letters of appointment referred to in the paragraph headed "APPENDIX V – STATUTORY AND GENERAL INFORMATION – Directors" to this prospectus.



CONSUN
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康臣藥業集團有限公司
CONSUN PHARMACEUTICAL GROUP LIMITED