上海昊海生物科技股份有限公司
Shanghai Haohai Biological Technology Co.,Ltd.

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

Stock Code：6826

GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator

UBS

Joint Bookrunners and Joint Lead Managers

UBS　招銀国际 CMB INTERNATIONAL　建银国际 CCB International

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

Shanghai Haohai Biological Technology Co., Ltd.*

上海昊海生物科技股份有限公司

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

GLOBAL OFFERING

Number of Offer Shares	**:**	**40,000,000 H Shares (subject to adjustment and the Over-allotment Option)**
Number of International Placing Shares	**:**	**36,000,000 H Shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**4,000,000 H Shares (subject to adjustment)**
Maximum Offer Price	**:**	**HK$59.00 per H Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)**
Nominal Value	**:**	**RMB1.00 per H Share**
Stock Code	**:**	**6826**

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

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

We are incorporated, and most of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and the fact that there are different risks relating to investment in PRC incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of H Shares. Such differences and risk factors are set forth in the sections entitled "Risk Factors", "Appendix III — Taxation and Foreign Exchange", "Appendix IV — Summary of Principal Laws and Regulations" and "Appendix V — Summary of the Articles of Association" in this prospectus.

The Offer Price is expected to be fixed by agreement among the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, April 23, 2015 and, in any event, not later than Tuesday, April 28, 2015. The Offer Price will be not more than HK$59.00 and is currently expected to be not less than HK$48.50, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Tuesday, April 28, 2015 between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse. Applicants for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$59.00 for each Offer Share, together with a 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, subject to refund if the Offer Price should be lower than HK$59.00 as finally determined.

The Sole Global Coordinator may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notices 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), and on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.3healthcare.com) not later than the morning of the last day for lodging applications under the Hong Kong Public Offer.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe or purchase, and to procure applicants for the subscription or purchase of, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator if certain grounds arise prior to 8:00 a.m. on the Listing Date. 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 and may not be offered or sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (1) to QIBs in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

* *For identification purposes only*

April 20, 2015

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2] ..... 11:30 a.m. on Thursday, April 23, 2015

Application lists open[3] ..... 11:45 a.m. on Thursday, April 23, 2015

Latest time for lodging **WHITE** and **YELLOW** Application Forms ..... 12:00 noon on Thursday, April 23, 2015

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, April 23, 2015

Latest time for giving **electronic application instructions** to HKSCC[4] ..... 12:00 noon on Thursday, April 23, 2015

Application lists close[3] ..... 12:00 noon on Thursday, April 23, 2015

Expected Price Determination Date[5] ..... Thursday, April 23, 2015

Announcement of

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

is expected to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before ..... Wednesday, April 29, 2015

A full announcement of the Hong Kong Public Offer containing the information above will be published on the website of the Stock Exchange at **www.hkexnews.hk** [6] and our website at www.3healthcare.com[6] from ..... Wednesday, April 29, 2015

Results of allocations in the Hong Kong Public Offer will be available at **www.iporesults.com.hk** with a "search by ID" function from ..... Wednesday, April 29, 2015

Despatch of H Share certificates or deposit to CCASS in respect of wholly or partially successful applications on or before[7] ..... Wednesday, April 29, 2015

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be despatched on or before[8] ..... Wednesday, April 29, 2015

Dealings in H Shares on the Stock Exchange expected to commence at . . . . . .9:00 a.m. Thursday, April 30, 2015

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

(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 "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, April 23, 2015, the application lists will not open and close on that day. Further information is set out in the section headed "How to Apply for the Hong Kong Offer Shares —Effect of Bad Weather on the Opening of the Application List" in this prospectus. If the application lists do not open and close on Thursday, April 23, 2015 the dates mentioned in this section headed "Expected Timetable" may be affected. A press announcement will be made by us in such event.

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

(5) We expect to determine the Offer Price by agreement with the Sole Global Coordinator on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, April 23, 2015 and, in any event, not later than Tuesday, April 28, 2015. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator and us by Tuesday, April 28, 2015, the Hong Kong Public Offer and the International Placing will not proceed. Notwithstanding that the Offer Price may be fixed at below the maximum offer price of HK$59.00 per H Share payable by applicants for Hong Kong Offer Shares under the Hong Kong Public Offer, applicants for the Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$59.00 for each H Share, together with the brokerage fee of 1%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.0027% but will be refunded the surplus application monies as provided in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

(6) None of the website or any of the information contained on the website forms part of the prospectus.

(7) **Share certificates for the Hong Kong Offer Shares will only become valid certificates of title if (i) the Global Offering has become unconditional, and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms before 8 a.m. on Thursday, April 30, 2015. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.**

(8) e-Refund payment instructions/Refund cheques will be issued in respect of wholly or partially unsuccessful applications, and also in respect of successful applications if the Offer Price is less than the price payable on application. Part of the applicant's Hong Kong identify card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identify card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identify card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering. Information contained in the website of the Company (www.3healthcare.com) does not constitute part of this prospectus.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" section. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading company in China focusing on the research and development, manufacturing and sales of absorbable biomedical materials. Absorbable biomedical materials are non-toxic, biodegradable in the human body and can be used for a variety of indications, primarily in various general and specialty surgeries. We strategically target the fast-growing therapeutic areas in the absorbable biomedical materials market in China, including orthopedics (骨科), anti-adhesion and hemostasis (防粘連及止血), ophthalmology (眼科) and wound care and tissue filling (創面護理及組織填充).

Our Key Products by Therapeutic Areas

We currently manufacture and sell 14 biomedical products, among which three are classified by CFDA as pharmaceutical products (including two chemical drugs and one biological product) and 11 are classified by CFDA as Class III medical devices. We currently manufacture and sell products in the following four categories and all our products are approved by and registered with CFDA and qualify for respective enterprise, national or industry standards:

Orthopedics Products

We currently manufacture and sell two orthopedics products used for intra-articular viscosupplement (骨關節腔注射), one made of medical sodium hyaluronate and the other made of medical chitosan. Intra-articular viscosupplementation has been proven to be an effective and safe treatment for degenerative osteoarthritis (骨關節炎). According to SME Research, we were the second largest manufacturer of intra-articular viscosupplement products in China as measured by revenue in 2013 with a market share of approximately 29.4%.

Anti-Adhesion and Hemostasis Products

We currently manufacture and sell five post-operative products used for anti-adhesion and hemostasis, including hyaluronate and chitosan based products, as well as medical collagen sponge. Anti-adhesion and hemostasis products are widely used in various surgeries to shorten the operation time and prevent a wide range of tissue and organ adhesion resulted from trauma and injuries in surgical operations. According to SME Research, we were the largest manufacturer of anti-adhesion products in China as measured by revenue in 2013 with a market share of over 50% for each of the years from 2008 to 2013.

Ophthalmology Products

We currently manufacture and sell four ophthalmology products, including three ophthalmic viscoelastic devices, commonly known as "OVD" products, and one lubricant eye drop product. Ophthalmic viscoelastic products are required for cataract (白內障) surgeries and can be used in other eye surgeries. According to SME Research, we were the largest manufacturer of ophthalmic viscoelastic device (眼科黏彈劑) products in China as measured by revenue in 2013 with a market share of approximately 39.6%.

Wound care and tissue filling Products

We currently manufacture and sell two products used for wound care and tissue filling, including rhEGF (重組人表皮生長因子) and dermal filling products. rhEGF products can safely and significantly accelerate the wound healing process of the superior layer of the skin and mucous membrane. Our dermal filler (皮下組織填充劑) products are indicated to correct moderate to severe facial wrinkles and folds. According to SME Research, we were the third largest manufacturer of rhEGF products in China as measured by revenue in 2013 with a market share of approximately 11.1%.

Our Key Products by Substance

Our products are primarily made of medical sodium hyaluronate (醫用透明質酸/玻璃酸鈉), medical chitosan (醫用幾丁糖) and medical collagen (醫用膠原蛋白) from natural raw materials:

- Sodium hyaluronate has been extensively used in the fields of clinical medicine, medical cosmetics and beauty products, and is expected to have broad prospects and market potential. Our sodium hyaluronate-based products can be applied in each of our four target therapeutic areas: orthopedics, anti-adhesion and hemostasis, ophthalmology and wound care and tissue filling. Our sodium hyaluronate-based products have been approved to treat degenerative osteoarthritis and are also used in cataract surgeries, plastic surgeries and other types of general and specialty surgical operations.
- Our medical chitosan series of products are proprietary and patented and can be applied in orthopedics, anti-adhesion and hemostasis, and ophthalmology areas. Similar to sodium hyaluronate, our chitosan products are also indicated for the treatment of osteoarthritis and the prevention of adhesion for surgery, among other indications. Chitosan has a longer *in vivo* retention time than sodium hyaluronate. The medical label for our chitosan products contains anti-microbial and hemostatic functions claims, which does not apply to sodium hyaluronate. Modified chitosan is dissolvable in water. These properties make chitosan attractive in pharmaceutical formulations for hemostasis, anti-adhesion and sustained-release preparation purposes.
- Medical collagen has good hemostatic effects. It has become an unique biomedical material used in the gynecological (婦產科), otolaryngological (耳鼻喉科), cerebral and general surgeries to shorten the operation time and improve the healing of wound and tissue after surgery.

We also manufacture innovative biological drugs such as rhEGF that utilize genetic engineering technology and are used for wound care. Our proprietary patented rhEGF products feature the same amino acid sequence as natural human EGF, which have been proven safe and effective in treating burns and wound care. Our rhEGF products are registered with CFDA as Class I new drug and were the first approved rhEGF products in the world.

The following table sets forth the sales volumes, the average selling prices and the gross profit margins of our major products during the Track Record Period:

	2012			2013			2014		
Product category	Sales Volume	Average Selling Price	Gross Margin	Sales Volume	Average Selling Price	Gross Margin	Sales Volume	Average Selling Price	Gross Margin
	'000 Units	RMB per Unit	%	'000 Units	RMB per Unit	%	'000 Units	RMB per Unit	%
Orthopedics									
Sodium hyaluronate injection (玻璃酸鈉注射液)	1,416	64	87%	2,026	82	90%	2,706	76	89%
Sodium hyaluronate gel (透明質酸鈉凝膠)	367	81	87%	276	100	88%	27	133	90%
Chitosan injection (幾丁糖注射劑)	23	110	91%	43	129	93%	211	126	92%
Anti-adhesion and hemostasis									
Sodium hyaluronate gel (透明質酸鈉凝膠)	545	79	79%	586	81	82%	684	76	81%
Chitosan injection (幾丁糖注射劑)	586	121	85%	613	143	87%	672	140	90%
Medical collagen sponge (醫用膠原蛋白海綿)	52	148	97%	33	142	96%	91	103	95%
Ophthalmology									
OVD (眼科黏彈劑)	1,262	40	78%	1,299	41	77%	1,383	48	76%
Lubricant eye drops (潤眼液)	4	77	77%	2	48	63%	0[(1)]	85	82%
Wound care and tissue filling									
rhEGF (外用重組人表皮生長因子)	278	26	66%	404	24	72%	566	55	88%
Cross-linked sodium hyaluronate gel (皮下填充劑)	—	—	—	—	—	—	47	544	97%

Note:
(1) The actual sales volume for lubricant eye drops in 2014 is less than 1000 units.

Our Research and Development Capabilities and New Product Pipeline

We have strong research and development capabilities. All our key products were developed by our internal research and development team in collaboration with various universities, research institutions and large Class III hospitals in China. For example, to date, we have:

- developed a series of chitosan products for anti-adhesion, intra-articular viscosupplementation and eye protection;
- obtained CFDA Class III medical device registration certificate for our chitosan orthopedics intra-articular injection in July 2013, which was the only Class III medical device CFDA registration certificate for orthopedics intra-articular injection in China;
- obtained CFDA Class III medical device registration certificate for our lubricant eye drop product in June 2014, which was the only chitosan-based Class III medical device in China for eye protection; and
- developed dermal filler products used in plastic surgeries with our proprietary cross-linking technology.

To enhance our leading position in medical chitosan technology, we are in the process of developing a new thermal-sensitive chitosan technology, which features chitosan being liquid under room temperature but becoming gel after injected into human body. This technology is in the type inspection stage and is expected to further expand the usage and indications of medical chitosan in areas of sustained-release preparation, anti-adhesion, brain (spinal) membrane defect repair and intra-articular viscosupplementation.

Our market-driven research and development efforts focus on products that address rapidly growing clinical needs, particularly those with potential for future commercialization in global markets. As of December 31, 2014, we had a pipeline of 11 products in various stages of development, among which one was preparing for manufacturing permit application, two had completed clinical trials, three were at various stages of clinical trial or type inspection, and five were at pre-clinical or technology research stage.

Our Distribution Network

We generate demand for our pharmaceutical and medical device products from hospitals and other medical institutions in China through our sales and marketing activities, including academic promotion. We sell our pharmaceutical and medical device products primarily to our distributors who, in turn, sell our products to hospitals and other medical institutions, either directly or through their sub-distributors.

We have established an extensive and effective distribution network in China. As of December 31, 2014, our distribution network consisted of over 1,300 distributors, covering all provinces, municipalities and autonomous regions in China. As of December 31, 2014, our distribution network covered over 1,700 Class III hospitals and over 3,000 Class II hospitals in China, representing over 90% and 40% of the Class III and Class II hospitals in China, respectively.

In addition to our distribution network, we also maintain a dedicated sales team that is in charge of direct sales to certain hospitals and handles medical affairs such as doctor trainings, organizing medical conferences and seminars and collecting feedback from doctors and hospitals.

Price Control

The pharmaceutical products included in the Medical Insurance Catalogues in China are subject to price controls in the form of maximum retail prices by the NDRC, either at the national level or the provincial level. The PRC government authorities do not impose restrictions over the prices at which pharmaceutical products may be sold to distributors, hospitals and other medical institutions; however, maximum retail prices indirectly limit the selling prices at which we can sell the relevant products to distributors. Such price controls do not apply to our medical device products. See "Regulatory Overview—PRC Laws and Regulations Relating to the National Medical Insurance Program and Price Controls of Pharmaceutical Products" for further details.

As of the Latest Practicable Date, our sodium hyaluronate injection and rhEGF products were included in the national Medical Insurance Catalogue and subject to price control. The current price ceiling set by NDRC of our sodium hyaluronate injection product (2ml) is RMB151 per unit, and the price ceilings set by NDRC of our rhEGF products range from RMB41.6 to RMB143 per unit. For 2012, 2013 and 2014, our revenue from sales of these two products accounted for approximately 32.5%, 43.6% and 46.1% of our total revenue for the respective period.

In 2012, the NDRC lowered maximum retail prices of medical sodium hyaluronate injection and rhEGF by approximately 5.0% and 4.9%, respectively. The lowered maximum retail prices of such products did not negatively impact our respective selling prices, and therefore our revenues and gross profit margins were not adversely impacted.

Our History and Production Facilities

Our management team has a proven track record and extensive experience in identifying, acquiring and integrating strategic assets with a focus on assets that help broaden our product offerings and

enhance our vertical integration. Our history traces back to 2007, when we gained control of our Songjiang Factory which manufactures several HA and rhEGF products. We further consolidated Shanghai Jianhua and Shanghai Qisheng in 2007. Since then, we reconstructed these production facilities and continued to invest, upgrade and expand these production facilities to bring them to an advanced level.

Our production activities are carried out at our Haohai Biological, Shanghai Jianhua and Shanghai Qisheng facilities, all of which are located in Shanghai, China. Our designed production capacity substantially increased in 2014 due to the commission of new production line at Haohai Biological facility and the expansion and upgrade of Shanghai Qisheng and Shanghai Jianhua facilities. The following table sets forth the designed production capacity, actual production volume and utilization rates of our production facilities for the periods indicated:

	For the year ended December 31,								
	2012			2013			2014		
Production Facility	Designed production capacity[1]	Actual production volume	Utilization rate	Designed production capacity[1]	Actual production volume	Utilization rate	Designed production capacity[1]	Actual production volume	Utilization rate
	('000 units)		(%)	('000 units)		(%)	('000 units)		(%)
Haohai Biological									
- Sodium hyaluronate	1,350	1,957.8	145.0%	1,350	2,717.0	201.3%	5,000	3,464.9	69.3%
- rhEGF	300	279.8	93.3%	300	473.5	157.9%	1,000	566.3	56.6%
- API	200(kg)	166.1(kg)	83.1%	200(kg)	269.6(kg)	134.8%	300(kg)	236.2(kg)	78.7%
Shanghai Qisheng									
- Sodium hyaluronate/ Chitosan injection	1,925	2,649.8	137.7%	1,925	510.8	26.5%	4,500	3,500.8	77.8%
- Collagen sponge	50	71.5	143.0%	50	—	—	500	159.9	32.0%
- Lubricant eye drops	—	0.5	—	—	0.6	—	1,000	109.6	11.0%
- Chitosan solution	—	—	—	—	—	—	300	—	—
Shanghai Jianhua									
- Sodium hyaluronate	500	372.5	74.5%	500	801.0	160.2%	700	493.2	70.5%

(1) The designed production capacity for a production line is computed based on eight hours of production per day and 250 working days per year.

(2) The designed production capacities in the table above are calculated based upon the specifications of the relevant equipment and the feasibility study reports. In order to meet increased market demand or in preparation of the upgrade of our production facilities, we have been able to realize actual production volumes exceeding the relevant designed production capacity by improving our management of the relevant production facilities through increasing our filling frequency, operating our production facilities for more than eight hours per day or increasing working days to increase the turnover rate and production efficiency. As advised by our PRC Legal Advisers, we are not in violation of any PRC laws and regulations when our actual production volume exceeds the relevant designed production capacity.

We plan to increase our production capacity by constructing new production facilities and upgrading our existing production facilities to meet demand for our products. We adopt a phase-by-phase approach in our expansion and upgrade plan, primarily taking into consideration our projected sales. We continually re-evaluate our capital expenditures and the timing of our projects based on market demand for our products, the progress of the development of our pipeline products and technological developments that are relevant to our production process.

Our Raw Materials Supply

Our suppliers primarily include suppliers of packaging materials, active pharmaceutical ingredients and other raw materials. The principal raw materials used for our production include glass syringes, HA powder and alcohol. During the Track Record Period, substantially all of the glass syringes and a small portion of the HA powder we purchased were produced by foreign manufacturers, while the remaining raw materials were sourced domestically. Our raw materials are generally available in the market. We believe we have alternative sources for our principal raw materials that can provide us with substitutes with comparable quality and prices. The purchase price of our raw materials is primarily based on the prevailing market price for raw materials of similar quality. We have not experienced any significant fluctuations in raw material costs that had a material impact on our results of operations or gross profit margins during the Track Record Period.

Our Inventory

Our inventory consists of raw materials (including glass syringes, HA powder and alcohol), work in progress and finished goods. We set the safety inventory level of our raw material and finished products at no less than three months' stock, respectively. In practice, our raw materials may be kept at a higher level as a result of our bulk purchase for a more favorable purchase price, and we may maintain our finished products at a higher level in anticipation of renovation or upgrade of our production facilities. For 2012, 2013 and 2014, our inventory turnover days were 308 days, 278 days and 330 days, respectively. Please refer to "Financial Information — Net Current Assets — Inventories" for further details of our inventory turnover days during the Track Record Period.

Our Revenue, Profit and Profit Margins

For 2012, 2013 and 2014, our revenue was RMB303.1 million, RMB401.1 million and RMB515.9 million, respectively, representing a CAGR of 30.5% from 2012 to 2014. For 2012, 2013 and 2014, our gross profit was RMB252.8 million, RMB346.3 million and RMB450.1 million, respectively, representing a CAGR of 33.4% from 2012 to 2014.

For 2012, 2013 and 2014, our gross profit margin was 83.4%, 86.3% and 87.2%, respectively. For 2012, 2013 and 2014, our net profit was RMB113.9 million, RMB141.5 million and RMB183.6 million, respectively, representing a CAGR of 27.0% from 2012 to 2014. For 2012, 2013 and 2014, our net profit margin was 37.6%, 35.3% and 35.6%, respectively. The increase of our gross profit margin from 2012 to 2013 was driven in part by the increase in selling prices of our sodium hyaluronate products in connection with the implementation of our pricing and marketing strategies for these products since the second half of 2012, and the increase of average selling prices of chitosan products due to adjustments in our specification. The increase of our gross profit margin from 2013 to 2014 was driven in part by the launch of our new dermal filler products with higher gross profit margins in 2014. Our net profit margin did not increase along with our gross profit margin during the Track Record Period primarily as a result of the increased selling and marketing expenses in connection with our new product launches and our new marketing strategies to expand the hospital coverage of our products.

For 2012, 2013 and 2014, we recognized government grants of RMB6.8 million, RMB17.9 million and RMB25.7 million, respectively, from various local government authorities in Shanghai primarily in connection with local government's support to innovative enterprises.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and position us well for continued growth:

- Focus on the fast-growing areas in the absorbable biomedical materials market in China.
- Excellent track records in identifying, acquiring, integrating and optimizing strategic assets.
- Strong research and development capabilities.
- Extensive and effective distribution network.
- A stable, experienced, dedicated and visionary senior management team.

OUR STRATEGIES

Our objective is to further strengthen our leading position in the absorbable biomedical materials market in China and become a leading biomedical materials company globally. We intend to achieve our objective by implementing the following strategies:

- Accelerate the growth of our business and product portfolio through acquisitions and effective integration.
- Deepen our market penetration and expand our coverage of hospitals and other medical institutions.
- Expand our product portfolio in key therapeutic areas.
- Increase our production capabilities.

RISK FACTORS

An investment in the Offer Shares involves significant risks. The section entitled "Risk Factors" in this prospectus describes events, uncertainties and circumstances that may create or enhance risks to our business, financial condition or results of operations or otherwise to the value of your investment in the Offer Shares. The key risk factors include:

- Our success depends upon the growth of the medical devices, chemical drugs and biological products markets.
- The retail prices of our sodium hyaluronate injection and rhEGF products are subject to price controls by the PRC government authorities.
- The pharmaceutical industry is highly regulated. Any change in the applicable laws, regulations or standards may prevent or restrict us from conducting certain business or subject us to increased compliance costs.
- We depend on the sales of a limited number of key products.
- If our sodium hyaluronate injection and rhEGF products are removed or excluded from the Medical Insurance Catalogues, our sales and profitability could be adversely affected.
- If we fail to obtain or maintain the necessary licenses for the development, production, promotion, sale and distribution of our products, our ability to conduct our business could be materially impaired.
- If we are unable to win bids to sell our products to PRC public hospitals through the centralized tender processes, we will lose market share and our revenues and profitability could be adversely affected.
- We rely on distributors to sell a substantial portion of our products. If we fail to maintain an effective distribution network, our business could be adversely affected.
- The continued operation of some of our production facilities could be adversely impacted by certain title defects.

SUMMARY OF HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth, for the periods and as of the dates indicated, the selected financial data from our consolidated financial information. For more detailed information, please see the Accountant's Report and its accompanying notes in Appendix I to this prospectus.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Revenue	303,065	401,088	515,940
Cost of sales	(50,313)	(54,836)	(65,883)
Gross profit	252,752	346,252	450,057
Other income and gains	10,835	23,677	30,764
Selling and distribution expenses	(72,537)	(143,315)	(187,191)
Administrative expenses	(36,272)	(34,221)	(48,960)
Research and development costs	(17,575)	(23,521)	(26,460)
Other expenses	(3,771)	(2,405)	(2,594)
Profit before tax	133,432	166,467	215,616
Income tax expense	(19,490)	(24,946)	(32,034)
Profit and total comprehensive income for the year	113,942	141,521	183,582

The following table sets forth a breakdown of our revenue, by amount and as a percentage of our total revenue, from the sale of products by therapeutic area for the periods indicated:

	For the year ended December 31,					
	2012		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%
Orthopedics						
Sodium hyaluronate injection	91,005	30.1	165,721	41.3	206,624	40.0
Sodium hyaluronate gel	29,662	9.8	27,605	6.9	3,584	0.7
Chitosan injection	2,539	0.8	5,530	1.4	26,630	5.2
Total Orthopedics	123,206	40.7	198,856	49.6	236,838	45.9
Anti-adhesion and hemostasis						
Sodium hyaluronate gel	43,259	14.3	47,317	11.8	52,195	10.1
Chitosan injection	70,853	23.4	87,894	21.9	93,780	18.2
Medical collagen sponge	7,676	2.5	4,673	1.2	9,328	1.8
Total anti-adhesion and hemostasis	121,788	40.2	139,884	34.9	155,303	30.0
Ophthalmology						
OVD	50,432	16.6	52,748	13.2	66,963	13.0
Lubricant eye drops	308	0.1	95	0.0	17	0.0
Total ophthalmology	50,740	16.7	52,843	13.2	66,980	13.0
Wound care and tissue filling						
rhEGF	7,331	2.4	9,505	2.3	31,248	6.1
Cross-linked sodium hyaluronate gel	—	—	—	—	25,571	5.0
Total wound care and tissue filling	7,331	2.4	9,505	2.3	56,819	11.1
Total	303,065	100.0	401,088	100.0	515,940	100.0

Consolidated Statements of Cash Flows

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Net cash flows generated from operating activities	118,420	146,906	141,993
Net cash flows used in investing activities	(84,293)	(111,249)	(88,151)
Net cash flows used in financing activities	—	—	(70,320)
Cash and cash equivalents at beginning of year	106,687	140,814	176,477
Net increase/(decrease) in cash and cash equivalents	34,127	35,657	(16,478)
Effect of foreign exchange rate changes, net	—	6	—
Cash and cash equivalents at end of year	140,814	176,477	159,999

Summary Consolidated Statements of Financial Position

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Total non-current assets	202,750	323,730	404,548
Total current assets	245,287	297,448	347,355
Total current liabilities	54,702	76,128	139,239
Net current assets	190,585	221,320	208,116
Total non-current liabilities	4,278	14,472	18,504
Total equity	389,057	530,578	594,160

CERTAIN FINANCIAL RATIOS

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

	As of/for the year ended December 31,		
	2012	2013	2014
	%	%	%
Gross profit margin	83.4	86.3	87.2
Net profit margin	37.6	35.3	35.6
Return on equity[(1)]	29.3	26.7	30.9
Return on total assets[(2)]	25.4	22.8	24.4

(1) Return on equity ratio is profit for the period as a percentage of total equity as of period-end.

(2) Return on total assets ratio is profit for the period as a percentage of total assets as of period-end.

OFFERING STATISTICS[1]

We expect to issue 40,000,000 H Shares under the Global Offering.

	Based on an Offer Price per H Share of HK$48.50	Based on an Offer Price per H Share of HK$59.00
Market capitalization of our H Shares[2]	HK$1,940 million	HK$2,360 million
Unaudited pro forma adjusted consolidated net tangible asset value per H Share[3]	RMB12.73 (HK$16.12)	RMB14.80 (HK$18.75)

(1) All statistics in this table assume that the Over-allotment Option is not exercised.

(2) The calculation of market capitalization is based on 40,000,000 H Shares expected to be in issue following completion of the Global Offering.

(3) The unaudited pro forma adjusted net tangible asset value per H Share is calculated after making the adjustments referred to in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus and on the basis of a total of 40,000,000 H Shares expected to be in issue upon completion of the Global Offering, and taking into account the indicative Offer Prices of HK$48.50 and HK$59.00 per H Share.

LISTING EXPENSES

We have incurred legal, professional and other fees with respect to the Listing. In accordance with the relevant accounting standards, listing related fees that are directly attributable to issuance of new Shares are recorded as prepaid expenses, which will be deducted from equity upon Listing. The remaining listing related fees are charged to statements of profit or loss and other comprehensive income. It is expected that approximately RMB4.3 million of listing related expenses will be charged to our consolidated statements of profit or loss and to capitalize approximately RMB80.9 million following the Listing.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$2,042.1 million (after deducting the underwriting fees and expenses payable by us in the Global Offering), assuming the Over-allotment Option is not exercised and an Offer Price of HK$53.75 per Share, being the mid-point of the Offer Price range stated in this prospectus. We intend to use these net proceeds for the following purposes:

- approximately 25% of the net proceeds, or approximately HK$510.5 million, to construct new production lines. Please refer to "Business — Our Production facilities — Future Expansion and Upgrade Plan" for further details of our expansion and upgrade plan;
- approximately 25% of the net proceeds, or approximately HK$510.5 million, to selectively acquire suitable biopharmaceutical or biomedical materials companies or assets. We have not identified any acquisition targets to be acquired as of the Latest Practicable Date;
- approximately 18% of the net proceeds, or approximately HK$367.6 million, to purchase new production equipment as well as to renovate and upgrade our Haohai Biological facility;
- approximately 13% of the net proceeds, or approximately HK$265.5 million, to fund research and development activities and clinical applications for our pipeline products;
- approximately 9% of the net proceeds, or approximately HK$183.8 million, to expand our sales and marketing network; and
- approximately 10% of the net proceeds, or approximately HK$204.2 million, will be used for working capital and general corporate purposes.

The above allocation of the net proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed below or above the mid-point of the offer price range or if the Over-allotment Option is exercised. If the Offer Price is set at the lowest end of the offer price range (HK$48.50), our net proceeds will be approximately HK$1,832.1 million. If the Offer Price is set at the highest end of the offer price range (HK$59.00), our net proceeds will be approximately HK$2,252.1 million. In the event the Over-allotment Option is exercised in full, our net proceeds will be approximately HK$2,123 million if the Offer Price is set at the lowest end of the offer price range, approximately HK$2,364.6 million if the Offer Price is set at the mid-point of the offer price range, and approximately HK$2,606.1 million if the Offer Price is set at the highest end of the offer price range.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, the Directors may allocate part or all of the proceeds to short-term interest-bearing deposits and/or money-market instruments with authorized financial institutions and/or licensed banks in Hong Kong and/or the PRC.

DIVIDENDS AND DIVIDEND POLICY

Final dividends proposed by our directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by our shareholders in a general meeting. When these dividends have been approved by our shareholders and declared, they are recognized as a liability. We declared dividends amounting to RMB120.0 million on October 16, 2014, which was fully settled in February 2015 with the cash held by the Company.

After completion of the Global Offering, our Shareholders will be entitled to receive dividends that we declare. The payment and the amount of any dividends will be at the discretion of our Directors subject to shareholders' approval and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, the Articles of Association, the Company Law and any applicable laws and regulations in the PRC and other factors that our Directors deem relevant. For more details, see "Financial Information — Dividend Policy".

NON-COMPLIANCES

During the Track Record Period, there had been instances of non-compliances in relation to the title defects of certain properties leased by Shanghai Qisheng and Shanghai Jianhua. Please refer to "Business — Land and Properties — Title Defects regarding Our Leased Production Facilities" for further details.

RECENT DEVELOPMENTS

There had not been, as far as we are aware, any material change in the general economic and market conditions in the PRC or the industry in which we operate that have had a material and adverse impact on our business operations and financial condition since December 31, 2014 and up to the Latest Practicable Date.

Our Directors confirm that, since December 31, 2014 and up to the date of this prospectus, there had been no material adverse change in our financial or trading position since December 31, 2014 and there had been no event since December 31, 2014 and up to the date of this prospectus which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

SHAREHOLDER INFORMATION

Immediately following completion of the Global Offering and assuming no Over-allotment Option is exercised, Mr. Jiang Wei, together with his wife who is our Director, Ms. You Jie, will be interested in 47.25% of our issued share capital and will be regarded as our Controlling Shareholders under the Listing Rules. Please refer to "Relationship with our Controlling Shareholders" and "Connected Transactions" for further details.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

"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
"Articles of Association" or "Articles"	the articles of association of our Company, adopted on July 23, 2010, which will become effective upon the Listing, and as the same may be amended, supplemented or otherwise modified from time to time, a summary of which is set out in "Appendix V — Summary of the Articles of Association" to this prospectus
"Board"	our board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"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)
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as the same may be amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as the same may be amended, supplemented or otherwise modified from time to time

"Company", "our Company" or "Haohai Biological"	Shanghai Haohai Biological Technology Co., Ltd. (上海昊海生物科技股份有限公司), a joint stock company with limited liability incorporated in the PRC and converted from its predecessor, Haohai Limited on August 2, 2010. Please refer to "History and Development" for further details of the history and development of our Company.
"Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted and adopted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, as the same may be amended, supplemented and otherwise modified from time to time
"Controlling Shareholder(s)"	has the meaning ascribed under the Listing Rules and in this context, refers to Mr. Jiang Wei and Ms. You Jie
"Cornerstone Investors"	has the meaning ascribed to it under the section headed "Cornerstone Investors" in this prospectus
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Non-competition"	a deed of non-competition dated December 8, 2014 entered into by the Controlling Shareholders in favor of our Company, details of which are disclosed in the section headed "Relationship with our Controlling Shareholders — Deed of Non-competition" in this prospectus
"Director(s)"	director(s) of our Company
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded in any stock exchange
"EIT Law"	the PRC Enterprise Income Tax Law issued on March 16, 2007 and its implementation rules issued on December 6, 2007, both effective from January 1, 2008
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offer and the International Placing
"Green Application Form(s)"	the application form(s) to be completed by **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited

"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)
"Haoyang Management" or "Haoyang Investments"	Shanghai Haoyang Corporate Management Company Limited (上海昊洋企業管理有限公司), formerly known as Shanghai Haoyang Investment Management Company Limited (上海昊洋投資管理有限公司), a limited liability company incorporated in the PRC on December 13, 2007, the equity interests of which is owned by Ms. You Jie as to 85%, Mr. Wu Jianying as to 8% and Mr. Huang Ping as to 7%, a connected person of the Company
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Share(s)"	the H Share(s) offered in the Hong Kong Public Offer
"Hong Kong Public Offer"	the offer by our Company of initially 4,000,000 H Shares for subscription by the public in Hong Kong (subject to adjustment as described in "Structure of the Global Offering" in this prospectus) for cash at the Offer Price (plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in "Structure of the Global Offering" in this prospectus
"Hong Kong Underwriters"	the underwriters listed in "Underwriting — Hong Kong Underwriters" in this prospectus, being the underwriters of the Hong Kong Public Offer
"Hong Kong Underwriting Agreement"	the underwriting agreement relating to the Hong Kong Public Offer entered into between, among others, us, the Hong Kong Underwriters and the Sole Global Coordinator dated on or around April 17, 2015, as further described in "Underwriting" in this prospectus

"H Share(s)"	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for the granting of listing and permission to deal in, on the Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"Haohai Chemical"	Shanghai Haohai Chemical Company Limited (上海昊海化工有限公司), a limited liability company established in the PRC on August 9, 2000, the equity interest of which is owned by Mr. Jiang Wei as to 80%, Mr. Ling Xihua as to 10%, Mr. Liu Yuanzhong as to 5% and Mr. Shen Rongyuan as to 5%
"Haohai Limited"	Shanghai Haohai Bio Technology Company Limited (上海昊海生物科技有限公司), a limited liability company incorporated in the PRC on January 24, 2007, which is the predecessor of our Company
"IFRS"	International Financial Reporting Standards, as published by the International Accounting Standards Board, as amended from time to time
"independent third party(ies)"	an individual or a company who is not connected with (within the meaning of the Listing Rules) any of the Directors, Supervisors, chief executive or substantial shareholders of our Company, its subsidiaries or any of their respective associates
"International Placing"	the offer by our Company of initially 36,000,000 H Shares for subscription by professional, institutional and other investors, as further described in the section headed "Structure of the Global Offering" in this prospectus, subject to the Over-allotment Option
"International Purchase Agreement"	the international purchase agreement relating to the International Placing and to be entered into between, among others, us, the International Underwriters and the Sole Global Coordinator on or around the Price Determination Date, as further described in "Underwriting" in this prospectus
"International Placing Share(s)"	the H Share(s) offered in the International Placing
"International Purchasers"	the group of international underwriters expected to enter into the International Purchase Agreement

"Joint Bookrunners"	UBS AG Hong Kong Branch, CMB International Capital Limited and CCB International Capital Limited
"Joint Lead Managers"	UBS AG Hong Kong Branch, CMB International Capital Limited and CCB International Capital Limited
"Latest Practicable Date"	April 10, 2015, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication.
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about April 30, 2015, on which our H Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, promulgated by the former State Council Securities Committee and other PRC government departments on August 27, 1994 and became effective on the same date, as amended, supplemented or otherwise modified from time to time
"MOH"	Ministry of Health of the PRC (中華人民共和國衛生部), one of the predecessors of the NHFPC
"NHFPC"	National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會)
"NDRC"	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)
"Offer Price"	the final Hong Kong dollar price per Hong Kong Offer Share (exclusive of the brokerage, Stock Exchange trading fee and SFC transaction levy) at which the Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offer, to be determined as further described in "Structure of the Global Offering" in this prospectus

"Offer Share(s)"	the H Share(s) offered in the Global Offering, where relevant including any additional H Shares issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option to be granted by us to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters, at any time from the date of the International Purchase Agreement until 30 days from the last day for lodging applications under the Hong Kong Public Offer, to require us to allot and issue up to an aggregate of 6,000,000 additional H Shares at the Offer Price to cover, among other things, over-allocations in the International Placing, if any, details of which are described in "Structure of the Global Offering" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行)
"Price Determination Date"	the date, expected to be on or around Thursday, April 23, 2015 and, in any event, not later than Tuesday, April 28, 2015, on which the Offer Price is to be fixed by agreement between our Company and the Sole Global Coordinator (on behalf of the Underwriters) to determine the Offer Price
"QIBs"	qualified institutional buyers within the meaning of Rule 144A of the U.S. Securities Act
"Qisheng Research Institute"	Shanghai Qisheng Biological Material Technology Research Institute Co., Ltd (上海其勝生物材料技術研究所有限公司), a limited liability company incorporated in the PRC on March 21, 1995 and an Independent Third Party, the equity interests of which is owned by Gu Qisheng as to 95% and Wu Ping as to 5%
"PRC", "China" or "People's Republic of China"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan, unless otherwise specified
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange (中華人民共和國國家外匯管理局)
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as the same may be amended, supplemented or otherwise modified from time to time
"Shanghai Baiyue"	Shanghai Baiyue Medical Equipment Co., Ltd. (上海柏越醫療設備有限公司), a limited liability company established in the PRC on September 25, 2014, a non-wholly owned subsidiary of our Company since February 3, 2015, the equity interest of which is owned by our Company as to 60%, Gu Lingzhi as to 36%, and Li Xudong as to 4%, who are Independent Third Parties
"Shanghai Jianhua"	Shanghai Jianhua Fine Biological Products Company Limited (上海建華精細生物製品有限公司), a company established in the PRC on October 20, 1993 and converted into a limited liability company on August 14, 1995, which is a direct wholly-owned subsidiary of our Company
"Shanghai Likangrui"	Shanghai Likangrui Biological Engineering Company Limited (上海利康瑞生物工程有限公司), a limited liability company established in the PRC on September 3, 2001, which is a direct wholly-owned subsidiary of our Company
"Shanghai Qisheng"	Shanghai Qisheng Biologics Company Limited (上海其勝生物製劑有限公司), a company established in the PRC on May 27, 1992, converted into a joint-stock cooperative enterprise on July 10, 1995 and further converted into a limited liability company on March 28, 2001, which is a direct wholly-owned subsidiary of our Company
"Share(s)"	share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, comprising the Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of our Shares
"SME Research"	the China Food and Drug Administration Southern Medicine Economic Research Institute (國家食品藥品監督管理總局南方醫藥經濟研究所), a unit directly under CFDA. Its main responsibilities include publicizing and implementing the policies and regulations of CFDA, establishing food and drag supervision information databases, etc.
"Sole Global Coordinator"	UBS AG Hong Kong Branch
"Sole Sponsor"	UBS Securities Hong Kong Limited

"Songjiang Factory"	Songjiang Bio-Pharmaceutical Factory (上海華源生命科學研究開發有限公司松江分公司)
"Special Regulations"	Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994 and became effective on the same date, as amended, supplemented or otherwise modified from time to time
"Stabilizing Manager"	UBS AG Hong Kong Branch
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"Supervisor(s)"	the member(s) of the Supervisory Committee
"Supervisory Committee"	our supervisory committee established pursuant to the Company Law, as described in "Appendix V — Summary of the Articles of Association — Supervisory Committee" in this prospectus
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs
"Track Record Period"	the three years ended December 31, 2012, 2013 and 2014
"U.S." or "United States"	the United States of America
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Underwriters"	the Hong Kong Underwriters and the International Purchasers
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Purchase Agreement
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"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 the White Form eIPO at www.eipo.com.hk

In this prospectus, the terms "associate", "close associate", "connected person", "core connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

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

In this prospectus, should there be any discrepancy between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail.

The glossary of technical terms contains explanations and definitions of certain terms used in this prospectus in connection with us and our business. The terms and their meaning may not correspond to meanings or usage of these terms as used by others.

"active pharmaceutical ingredient" or "API"	the biological active substance in a pharmaceutical product, responsible for the therapeutic effect of a drug
"amino acid sequence"	the order that amino acids join together to form proteins or parts of proteins
"anterior chamber"	the fluid-filled space inside the eye between the iris and the cornea's innermost surface, the endothelium
"anti-adhesion"	prevention of fibrous bands formed between tissues and adjacent tissues or organs resulted from injuries during a surgery
"anti-microbial function"	a function that kills microorganisms or inhibits their growth
"CE certification" (CE認證)	Conformité Européene, a mandatory certification of European Union certifying that a product has met the requirements set forth in the New Approach to Technical Harmonization and Standards. Manufacturers in the European Union and abroad must meet CE marking requirements and obtain the CE certification where applicable in order to market their products in Europe
"cerebral surgery"	refers to surgery on the human brain
"chitosan" (幾丁糖)	a class of polysaccharide without acetyl group or with partial acetyl group, dissolvable in acidic conditions
"Class I hospitals"	the smaller local hospitals designated as Class I hospitals by the NHFPC hospital classification system, typically having fewer than 100 beds and primarily providing more basic healthcare services limited to the surrounding community
"Class II hospitals"	the regional hospitals designated as Class II hospitals by the NHFPC hospital classification system, typically having 100 to 500 beds, providing multiple communities with integrated healthcare services and undertaking certain academic and scientific research missions
"Class III hospitals"	the largest and best regional hospitals in China designated as Class III hospitals by the NHFPC hospital classification system, typically having more than 500 beds, providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives

"Class II medical device"	a class of medical devices with moderate risks, which shall be strictly controlled and administered to ensure their safety and effectiveness
"Class III medical device" (三類醫療器械)	a class of medical devices with high risks which shall be strictly controlled and administered through special measures to ensure their safety and effectiveness
"clinical trial"	a research study for validating or finding the therapeutic effects and side-effects of test drugs in order to determine the therapeutic value and safety of such drugs
"cataract surgery"	a procedure performed to remove a cloudy lens from the eye
"corneal endothelium"	the corneal endothelium is a single layer of cells on the inner surface of the cornea. It faces the chamber formed between the cornea and the iris
"corneal transplant surgery"	a surgical procedure to replace part of cornea with corneal tissue
"cross-linking technology"	a technology that links one polymer chain to another
"degenerative osteoarthrosis"	a group of mechanical abnormalities involving degradation of joints
"diabetes"	a chronic disease that occurs either when the pancreas does not produce enough insulin or when the body cannot effectively use the insulin it produces
"diabetic foot ulcer"	a wound that develops when high blood sugar levels damage blood vessels and nerves. The damage leads to skin and tissue breakdown
"EGF"	epidermal growth factor, is a polypeptide growth factor that stimulates epidermal and epithelial growth. It can promote growth of a wide of variety of cells *in vivo* and *in vitro*
"epidermal cells"	One or more layers of cells forming the outermost portion of the skin
"fibrin sealant product" (纖維蛋白封閉劑)	consists of plasma coagulation factor, fibrinogen, XIII factor and thrombin and is widely used in general surgery for the extravascular hemostatic function
"fibroblast cell"	a fibroblast is a type of cell that synthesizes the extracellular matrix and collagen. Collagen is the structural framework for animal tissues, and plays a critical role in wound healing

"generic drug"	a drug that is no longer under patent protection, which may be produced by any manufacturer which follows good manufacturing protocols
"genetic engineering technology"	the group of applied techniques of genetics and biotechnology used to cut up and join together genetic material and especially DNA from one or more species of organism and to introduce the result into an organism in order to change one or more of its characteristics
"glaucoma filtering surgery"	a common surgery for the treatment of open-angle glaucoma
"gynecological surgery"	refers to surgery on the female reproductive system
"GMP" or "Good Manufacturing Practices"	Good Manufacturing Practice, guidelines and regulations from time to time issued pursuant to the PRC Law on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》) as part of quality assurance which ensures that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to the quality and standards appropriate for their intended use
"GSP" or "Good Supply Practices"	the Good Supply Practice for Pharmaceutical Products (《藥品經營質量管理規範》) published by the MOH on January 22, 2013 in relation to the management procedures and standards regulating the pharmaceutical products supply chain in China
"HA"	a hydrophilic (water-binding) molecule and is typically found in the joints, vitreous humor in the eyes, skin, the umbilical cord and in rooster combs. It has strong moisturizing effect for skin and eye when applied topically. Another key characteristic of HA is its viscoelasticity since HA can form protective films in human and animal bodies to maintain the moisture, withstand friction and compression, and lubricate the body tissues
"hemostasis"	the arrest of bleeding
"intra-articular viscosupplement (骨科關節腔黏彈補充劑)"	injection of viscoelastic materials such as sodium hyaluronate and medical chitosan into articular cavity. It can provide joint lubrication, re-establish protective functions of arthrodial cartilage and thus improve joint overall function. It is used in the treatment of arthritis and shoulder peri-arthritisetc
"intraocular lens"	a lens implanted in the eye used to treat eye diseases including cataract and myopia

"in vivo"	in the living body of a plant, animal or other living organisms
"linear polysaccharide"	polymeric carbohydrate molecules composed of long chains of carbohydrate units
"lower limb varicose ulcer"	the loss of skin surface in the drainage area of a varicose vein
"medical chitosan" (醫用幾丁糖)	normally carboxyl-methylated chitosan which can be dissolved in water, regulated by CFDA as a Class III medical device
"medical collagen sponge" (醫用膠原蛋白海綿)	spongy material manufactured from bovine tendon by biological purification. It is used to fill operational cavity, wound hemostasis and wound healing
"medical device"	any article or healthcare product intended for use in the diagnosis of disease or other condition, or for use in the care, treatment or prevention of disease, which does not achieve any of its primary intended purposes by chemical action or by being metabolized
"Medical Insurance Catalogue"	the National Basic Medical Insurance Catalogue (《國家基本醫療保險藥品目錄》) issued by the PRC Ministry of Labor and Social Security (中華人民共和國勞動和社會保障部), or the provincial Medical Insurance Catalogues determined by provincial governments. Further information is set out in "Regulations — PRC Laws and Regulations Relating to the National Medical Insurance Program and Price Controls of Pharmaceutical Products"
"medical sodium hyaluronate gel" (醫用透明質酸鈉凝膠)	sodium hyaluronate gel solution used for the ophthalmic surgery or anti-adhesive surgery, regulated by CFDA as a Class III medical device
"medical sodium hyaluronate injection solution" (玻璃酸鈉注射液)	sodium hyaluronate gel solution used for the intra-articular injection, regulated by CFDA as a prescription drug
"medical sodium hyaluronate products" (醫用透明質酸鈉產品)	include medical sodium hyaluronate gel and sodium hyaluronate injection solution

"ophthalmic viscoelastic device" or "OVD"	viscoelastic sodium hyaluronate solution used in ophthalmic surgery. It can play the role of cushion to deepen the anterior amber, which makes the operation convenient. It can also protect intraocular tissue and endothelial cell with improved success rate and reduced operation complication. It is widely used in artificial contact lens implantation, penetrating keratoplasty surgery as well as ocular trauma
"otolaryngological surgery"	refers to surgery on the human ear, nose, throat, and related structures of the head and neck
"plastic surgery"	surgery concerned with restoration, reconstruction, correction, or improvement in shape and appearance of bodystructures that are defective, damaged, or misshapen by injury, disease, or growth and development
"post-operative anti-adhesion product"	Class III medical device including medical chitosan, sodium hyaluronate gel that is used to prevent post-operative adhesion
"recombinant human epidermal growth factor" or "rhEGF"	EGF manufactured specifically by the technology of recombinant genetic engineering in Escherichia coli fermentation
"sodium hyaluronate"	a type of polysacharide that is a long chain of polymer formed by repeating disaccharide units of N-acetylglucosamine and glucuronic acid
"sustained-release preparation"	a preparation that is designed to release a drug in the body slowly over an extended period of time
"tissue filling"	a process to inject biomaterials under the skin and fill in the area
"type inspection"	in the healthcare context, type inspection is a type of quality inspection for judging whether the quality of a product conforms to all characteristics given by design. It does not involve clinical trials
"wound care"	prevention of wound complications and promotion of wound healing

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions of the PRC;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- our production, research and development and capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in the section entitled "Financial Information" in this prospectus with respect to prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

The words "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "plan," "seek," "will," "would" and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including those discussed in the section headed "Risk Factors" in this prospectus. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, our results of operations and financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Because of these risks uncertainties or assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

You should carefully read and consider all of the information in this prospectus including the risks and uncertainties described below before deciding to make any investment in our Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties. As a result you may lose part or all of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our success depends upon the growth of the medical devices, chemical drugs and biological products markets.

We focus on the research and development, manufacturing and sale of absorbable biomedical materials that are primarily made of medical sodium hyaluronate, medical chitosan and medical collagen. Under the CFDA classification, our products are categorized as medical devices, chemical drugs and biological products. Our success depends in part upon the continued growth of the medical devices, chemical drugs and biological products markets in China as well as our ability to capture the market opportunities. The medical devices, chemical drugs and biological products markets in China are relatively new and rapidly evolving, and they may not develop as quickly as we anticipate or reach their full potential. Failure to adequately anticipate and meet market demands could harm our business and growth prospects. If our target market does not develop as anticipated, the demand for our products may grow at a slower rate than we expect and our business, financial condition and results of operations may be materially and adversely affected.

The retail prices of our sodium hyaluronate injection and rhEGF products are subject to price controls by the PRC government authorities.

Our sodium hyaluronate injection and rhEGF products included in the Medical Insurance Catalogues are subject to price controls by the NDRC, either at the national level or the provincial level. For 2012, 2013 and 2014, our revenue from sales of these two products accounted for approximately 32.5%, 43.6% and 46.1% of our total revenue for the respective period. Price controls may be introduced mainly in the form of maximum retail prices, which indirectly limit the selling prices at which we can sell the relevant products to distributors. Retail prices of pharmaceutical products under price controls are determined by the NDRC based on a variety of factors, including the profit margins that the relevant government authorities deem reasonable, the product's type, quality and production costs, as well as the prices of substitute pharmaceutical products.

If the NDRC or other PRC government authorities implement downward adjustments to the retail prices of our sodium hyaluronate injection and rhEGF products, or impose any other price control measures (including price control measures on a cost-plus basis) on our products, our revenues and profit margins could be materially and adversely affected. In addition, if downward price controls are implemented on our products, and our manufacturing and distribution costs remain stable or increase, our profit margins and profitability would be materially and adversely affected as our ability to pass on these costs to our distributors or end-users would be limited by retail price ceilings.

The PRC pharmaceutical industry is highly regulated. Any change in the applicable laws, regulations or standards may prevent or restrict us from conducting certain business or subject us to increased costs of compliance.

The PRC pharmaceutical industry is highly regulated. We are governed by various local, regional and national regulations in different aspects of our operations, including licensing and certification requirements and procedures for manufacturers of pharmaceutical or medical device products, operating and safety standards, as well as environmental protection regulations. Any change in the applicable laws, regulations or standards may prevent or restrict us from conducting certain aspects of our current business. For example, pursuant to the Notice on the Category of Medical Sodium Hyaluronate (關於醫用透明質酸鈉產品管理類別的公告) issued by CFDA on December 24, 2009, sodium hyaluronate products were re-categorized as pharmaceutical products or medical devices in accordance with their respective indications, and the registration certificates or manufacturing permits for products that were re-categorized pursuant to such notice shall expire on December 31, 2012. As a result, we ceased to produce sodium hyaluronate injection products categorized as medical devices for the treatment of osteoarthritis since January 1, 2013 and sold out all our sodium hyaluronate injection products for the treatment of osteoarthritis that were categorized as medical devices by 2014. We cannot assure you that the production or distribution of any of our other pharmaceutical products or medical devices will not be subject to any similar prohibitions or restrictions imposed by competent authorities in the future. Such changes may also result in increased costs of compliance. Any changes in, and any promulgation of, laws, regulations or standards may materially and adversely affect our business, financial condition and results of operations.

We depend on the sales of a limited number of key products. If we are unable to maintain the sales volumes, pricing levels and profit margins of our key products, our revenues and profitability could be materially and adversely affected.

Our key products include medical sodium hyaluronate injection (醫用玻璃酸鈉注射液), medical sodium hyaluronate gel (醫用透明質酸鈉凝膠) and medical chitosan (醫用幾丁糖). We expect that the sales of these key products will continue to be a substantial portion of our total net revenues and net profit in the near future, and we may be particularly susceptible to factors adversely affecting the sales volumes, pricing levels or profitability of any of such key products. Many factors could adversely affect our key products, including exclusion from the national and/or provincial Medical Insurance Catalogues, price controls by NDRC, unfavorable results or unsuccessful bids in the centralized tender process necessary for sales to PRC public hospitals and other medical institutions, interruptions in the supply of raw materials, increases in the costs of raw materials, issues with product quality or side effects, development of or sales of substitute products by competitors, intellectual property infringements, adverse changes in sales and distribution channels and unfavorable policy or regulatory changes. Many of these factors are outside of our control. If we are unable to maintain our current sales volumes, pricing levels and profit margins of our key products, our revenues and profitability could be materially and adversely affected.

If our sodium hyaluronate injection and rhEGF products are removed or excluded from the Medical Insurance Catalogues, our sales and profitability could be adversely affected.

Under the national medical insurance program in China, patients registered under the national medical insurance scheme are entitled to reimbursement of all or a portion of the cost of pharmaceutical or medical device products listed in the Medical Insurance Catalogues. According to

SME Research, approximately 1,370 million people in China were enrolled in the national medical insurance program as of December 31, 2013. Consequently, the inclusion or exclusion of a pharmaceutical product in the Medical Insurance Catalogues may affect the demand for such product in China.

Our sodium hyaluronate injection and rhEGF products are included in the National Medical Insurance Catalogues, and certain of our medical device products, including medical sodium hyaluronate gel, medical chitosan, and medical collagen sponge, are included in the provincial or municipal Medical Insurance Catalogues.

The selection of pharmaceutical or medical device products for listing in the Medical Insurance Catalogues is based on a variety of factors, including clinical needs, frequency of use, effectiveness and price, many of which are outside of our control. Moreover, the relevant PRC government authorities may, from time to time, review and revise, or change the scope of reimbursement for, the products that are listed in the Medical Insurance Catalogues. We cannot assure you that any of our products currently listed in the Medical Insurance Catalogues will remain listed, or that changes on the scope of reimbursement will not negatively affect our products. If any of our products are removed from the Medical Insurance Catalogues, or if the scope of reimbursement is reduced, demand for our products may decrease and our revenues and profitability could be adversely affected.

If we fail to obtain, maintain and renew the necessary licenses for the development, production, promotion, sale and distribution of our products, our ability to conduct our business could be materially impaired.

Pursuant to relevant PRC laws, regulations and rules, we are required to obtain, maintain and renew various permits, licenses and certificates in order to develop, produce, promote and sell our pharmaceutical products and medical devices. These permits, licenses and certificates include, without limitation, drug manufacturing permits (藥品生產許可證), medical device manufacturing permits (醫療器械生產企業許可證), drug registration certificates (藥品注冊證) and medical device registration certificates (醫療器械注冊證) for our business operations. Each such permit and certificate has a specified term and is subject to periodical renewal. Should we fail to renew any of our permits or certificates, we may be forced to cease our production of relevant products, which may in turn materially and adversely affect our financial condition and business prospects. Please refer to "Business — Legal and Compliance — Licenses and Permits" for further details of our licenses and permits. For example, the medical device registration certificates for two of our medical sodium hyaluronate gel products expired in March 2015 while we submitted relevant applications in October 2014 and were currently in the process of renewing the two certificates. As a result, we temporarily held off our production of these two products upon the expiry of the two certificates while we are permitted to sell relevant products manufactured prior to such expiry dates. We currently maintain an inventory of these two products of no less than three months' stock. Please refer to "Business — Legal and Compliance — Licenses and Permits" for further details.

In addition, on January 17, 2011, the MOH issued the Good Manufacturing Practice of Drug (2010 Revision) (藥品生產質量管理規範(2010年修訂)) which enhances the standards for production facilities, allocation of personnel, product quality, management of production procedures and risk controls in connection with the manufacturing of drugs. Pursuant to the Circular on Implementing the Good Manufacturing Practice of Drug (2010 Revision) (關於貫徹實施《藥品生產質量管理規範(2010年修訂)》的通知) issued by CFDA, starting from March 1, 2011, newly-constructed production facilities, including reconstructed or expanded facilities, must comply with the standards of the Good Manufacturing Practice (the "GMP"). Moreover, the production of sterile drug products (無菌藥品), such as blood products, vaccine and injections, must comply with GMP standards before December 31, 2013, while the production of other pharmaceutical products must comply with the GMP standards before December 31, 2015. In the event that we fail to receive or maintain the GMP certifications for other products in a timely manner, our business and operation of relevant products may be materially and adversely affected.

If we are unable to win bids to sell our products to PRC public hospitals through the centralized tender processes, we will lose market share and our revenues and profitability could be adversely affected.

All of our products sold to public hospitals and medical institutions in China, whether directly or through distributors, are required to go through a centralized tender process. For example, pursuant to the Guiding Opinions of the State Council General Office on Improving Centralized Procurement of Drugs by Public Hospitals (國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見) promulgated by the State Council on February 9, 2015, the tender process in connection with public hospitals' procurement of pharmaceutical products should be centralized at the provincial level. We submit bids in a tender process to supply our products to these institutions at specified prices. Our bids are generally considered on the basis of our bid prices compared to those of the substitute products and their clinical effectiveness, reputation and size of the bidders as well as the quality of our products and services, among other things. If we are successful in winning bids in a centralized tender process, the relevant products will be sold to the public hospitals and other medical institutions at the bid prices, which in part determine the prices at which we sell our products to our distributors. The centralized tender process may create downward pricing pressures among substitute products. Our sales volumes and profitability depend on our ability to successfully differentiate our products and price our bids in a manner that enables us to succeed in the centralized tender processes at profitable levels. If we are unable to differentiate our products or are otherwise unsuccessful in winning bids in the centralized tender processes with profitable terms in the future, we will lose the revenue associated with the sale of the affected pharmaceutical products to the relevant PRC public hospitals and other medical institutions.

We may fail to win bids in a centralized tender process due to various factors, including reduced demand for the relevant product, an uncompetitive bidding price, our relevant products being perceived to be less clinically effective than competing products or our services or other aspects of our operations are perceived to be less competitive. If our products are not selected in the centralized tender processes in certain regions, we will be unable to sell the relevant products to the public hospitals and other medical institutions in such regions, and our market share, revenues and profitability could be materially and adversely affected.

We rely on distributors to sell a substantial portion of our products. If we fail to maintain an effective distribution network, our business could be adversely affected.

We sell a substantial portion of our products to our distributors, who in turn sell our products to hospitals and other medical institutions, either directly or through their sub-distributors. As of December 31, 2014, we had a network of over 1,300 distributors across China. Our ability to maintain and grow our business will depend on us continuing to maintain and effectively manage a distribution network that delivers our products in a timely manner to all the provinces, municipalities and autonomous regions in China where we generate market demand through our sales and marketing activity. However, our distributors are third parties over whom we have limited control.

In addition, we generally do not directly contract with sub-distributors, who are engaged directly by our distributors. Our distributors might elect not to renew their agreements with us or otherwise terminate their business relationships with us for various reasons, including if PRC price controls or other factors limit the distributors' margins. Our strategies contemplate expansion of our distribution network, including broadening our coverage of hospitals, which requires us to establish relationships with new distributors on commercially acceptable terms, but there can be no assurances that we will be able to do so. In the event that any of our major distributors or a significant number of our distributors cease or reduce their purchase of our products, our business, financial condition and results of operations could be adversely affected.

The continued operation of certain of our production facilities could be adversely impacted by certain title defects.

We leased two premises in Shanghai as production facilities for Shanghai Qisheng and Shanghai Jianhua for a term from June 1, 2009 to May 31, 2019 and from April 14, 2008 to April 13, 2018, respectively. These production facilities stand on collectively-owned land and the owners of the premises leased the premises to Shanghai Qisheng and Shanghai Jianhua. Shanghai Huacao and Shanghai Jianhua Enterprise, as lessors, have not obtained relevant building ownership certificates in respect of the leased properties due to historical reasons. As a result, the two premises leased by Shanghai Qisheng and Shanghai Jianhua, respectively, may be deemed defective by the relevant government authorities, and the relevant government authorities may request Shanghai Qisheng and Shanghai Jianhua to vacate the premises and relocate to other locations.

Please refer to "Business — Land and Properties — Title Defects regarding Our Leased Production Facilities" for further details of the defects in connection with the Shanghai Qisheng and Shanghai Jianhua production facilities and our backup plans. We currently do not maintain any business interruption insurance. If we are forced to move out, or if our backup plan cannot be implemented as expected, we may experience suspension of production and may incur significant costs for removal and relocation. When implementing our relocation plan, while we will put in place an inventories ramp up plan if our inventories level is insufficient to cover our customer demand for our products during the period of suspension of production, we may suffer losses in revenue. The inventories ramp up plan above is intended to be carried out during the six-month transitional period, which coincides with the expected minimum prior notice period to be given by the local PRC government authorities in the event that Shanghai Qisheng or Shanghai Jianhua are requested to vacate the premises with title defects. If the local PRC government authorities give prior notice of less than six months, we will be unable to maintain the normal level of inventories for our products,

and as a result it is anticipated that the Group's revenue will decrease by approximately RMB1 million. In cases where only three months' or two months' prior notice is given, it is anticipated that the Group's revenue will decrease by approximately RMB25 million or RMB55 million, respectively. In the worst-case scenario where only one month's prior notice is given, it is anticipated that the Group's revenue will decrease by approximately RMB85 million. Moreover, if we are requested to relocate our leased production facilities with Title Defects, we expect to have (i) an increase in inventories at the amount of approximately RMB27,200,000 and a decrease at the same amount in reserved cash for producing additional inventories during the six-month notice period for meeting customers' demand during the eight-month relocation period, and (ii) a decrease in our working capital as a result of relocation costs at approximately RMB880,000. As a result of such disruption of any of our facilities, we may not be able to meet market demand for our products, which may adversely affect our business, financial condition and results of operations.

We rely on our senior management and key personnel.

Our business growth largely depends on the continued contribution from, and our ability to retain, our senior management and key personnel. The expertise and experience of our senior management in our industry are crucial to our success. Our success also depends on our key personnel with extensive managerial, technical, research and development or sales experience. We cannot assure you that the service of our senior management and key personnel will continue in the future. Should any of our current senior management or key personnel become unable or unwilling to work for our Company, we may incur additional expenses to recruit and retain suitable replacements. In the event that we are unable to recruit new talents who have similar knowledge or experience, or if any of our senior management or key personnel joins our competitors or establishes a new company that becomes a competitor, our business may be adversely affected.

Our production capacity may be limited; if we fail to increase our production capacity, our business prospects could be adversely affected.

We rely on our nine production lines to manufacture all our key products. If demands for these products continue to increase, our ability to further increase our production volumes may be limited. We plan to increase our production capacities by constructing new production lines, as well as by upgrading existing production lines and production facilities, to meet demand for our products. However, our ability to successfully implement our expansion plan for increasing production capacities is subject to a number of risks and uncertainties, including our ability to obtain the requisite permits, licenses and approvals for the construction and operation of the new production facilities and production lines, the risk of construction delays and delays in equipment procurement, as well as our ability to recruit sufficient qualified staff in a timely manner to support the increase in our production capacity. Consequently, there can be no assurance that we will be able to increase our production capacities in the manner we contemplate, or at all. In the event we fail to increase our production capacities, we may not be able to capture the expected growth in demand for our existing products or to successfully commercialize new products, each of which could adversely affect our business prospects. Moreover, our plans to increase our production capacities require significant capital investment, and the actual costs of our expansion plan may exceed our original estimates, which could adversely affect our ability to expand as planned and the return on our expenditures.

Failure to adequately protect our intellectual property rights and the expiration of our existing intellectual property rights may adversely affect our business.

Our success depends in part on our ability to protect our intellectual property rights. If we fail to adequately protect our intellectual property rights, competitors may imitate or use our intellectual properties without our authorization. We may not be able to identify any unauthorized use of our intellectual properties or take appropriate actions in a timely manner, and investigations and disputes relating to the unauthorized use of our intellectual properties may be time consuming and costly.

Furthermore, we cannot assure you that any of our pending patent applications will mature into issued patents, or that such patents, if issued, will adequately protect our patent rights or secure competitive advantages. The PRC adopts a "first to file" system for patent application, under which whoever files the same application first will be awarded the patent. As a result, a third party that files a patent application prior to us may be granted a patent relating to a technology we believe we have developed.

We cannot assure you that our intellectual property rights will not be infringed in the future. Any infringement of our intellectual property rights may divert our management resources, and could have an adverse effect on our business and reputation.

We may be exposed to intellectual property infringement and other claims by third parties that, if successful, could disrupt our business and adversely affect our business, financial condition and results of operations.

Our success depends, in large part, on our ability to use and develop our technology and know-how without infringing third-party intellectual property rights. As we increase our product sales both domestically and internationally, we face a higher risk of being the subject of claims for intellectual property infringement, invalidity or indemnification relating to other parties' proprietary rights. For example, on February 10, 2012, Shanghai Qisheng was sued at the People's Court of Minhang District in Shanghai by Qisheng Research Institute for an alleged trademark infringement with a claimed trademark royalty fee of RMB4.32 million. In March 2013, the People's Court of Minhang District, Shanghai ruled in favor for us. In July 2013, Qisheng Research Institute's appeal was dismissed by the No. 1 Intermediate People's Court of Shanghai. Shanghai Qisheng Research Institute's retrial application was dismissed by the Higher People's Court of Shanghai on March 24, 2014.

Our current or potential competitors, many of which have substantial resources and have made substantial investments in competing technologies, may have or may obtain patents that will prevent, limit or interfere with our ability to make or sell our products in China and internationally. The validity and scope of claims relating to medical device technology patents involve complex scientific, legal and factual questions and analysis and, as a result, may be highly uncertain. In addition, the defense of intellectual property suits, including patent infringement suits, and related legal and administrative proceedings can be costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. Furthermore, an adverse determination against us in any such litigation or proceedings to which we may become a party could cause us to pay damages, seek licenses from third parties, pay ongoing royalties, redesign our

products or become subject to injunctions, each of which could prevent us from pursuing some or all of our business and result in our customers or potential customers deferring or limiting their purchase or use of our products, which could adversely affect our business, financial condition and results of operations.

We may face uncertainty for the development of new products.

Our competitiveness and future prospects depend on our ability to successfully develop new products. In 2012, 2013 and 2014, our research and development costs accounted for 5.8%, 5.9% and 5.1% of our total revenues, respectively, with a limited number of new pharmaceutical products and medical devices launched and commercialized during the Track Record Period. The development of new pharmaceutical products or medical devices is time-consuming and costly, and we may not be able to successfully develop new products due to a number of reasons, including the failure to meet safety, efficacy or other standards during the research and development process, or the failure to obtain necessary regulatory approvals, including CFDA approvals.

We may also face certain difficulties to successfully commercialize the products we develop. The intensified competition and rapidly changing market demand have made commercialization efforts more complex and less certain. As the development process may be lengthy, we are unable to determine whether a marketable result will be achieved in the early development phase, and the market for the products we develop may differ significantly from what we had expected. We may also fail to successfully develop marketing strategies for our new products to respond to changing customer demand and preference. In the event we fail to successfully develop and commercialize new pharmaceutical and medical device products, our business and growth prospects could be adversely affected.

If our products cause, or are perceived to cause, severe side effects, or if we were subject to any product liability claims, our business, financial condition and reputation could be materially and adversely affected.

Our pharmaceutical products and medical devices may cause severe side effects as a result of a number of factors, many of which are beyond our control. These factors include potential side effects not revealed in clinical testing, unusual but severe effects in isolated cases, defective products not detected by our quality management system, inappropriate storage of our products or misuse of our products by end-users.

Our products may also be perceived to cause severe adverse effects even in the absence of a conclusive determination as to the cause of such severe side effects. In addition, our products may be perceived to cause severe side effects, if other pharmaceutical or medical device companies' products containing the same or similar active pharmaceutical ingredients, raw materials or delivery technologies as our products cause or are perceived to have caused severe side effects, or if one or more regulators, such as CFDA or the European Medicines Agency, or an international institution, such as the WHO, determines that products containing pharmaceutical ingredients the same as, or similar to, those used in our products could cause or lead to severe side effects.

If our products cause, or are perceived to cause, severe side effects, we may face a number of consequences, including injury or death of patients, a severe decrease in the demand for, and sales of, the relevant products, the recall or withdrawal of the relevant products, removal of regulatory approvals for the relevant products or the relevant production facilities, removal of relevant products from the Medical Insurance Catalogues, damage to the brand and reputation of our company, and exposure to regulatory investigation and even lawsuits relating to the relevant products. In addition, we may also be exposed to the risk of product liability claims arising from the research and development, manufacturing and sales activities. Such claims may arise if any of our products are deemed to be unsafe, ineffective or defective, or due to the improper labelling of products, the adequacy of warnings or insufficient disclosures of side effects. We cannot assure you that there will not be any product liability claims arising against us or that we will be able to successfully defend ourselves against any such claim. We currently do not maintain any product liability insurance for our products. If we lose in any such product liability claims, we may be subject to civil liabilities for physical injury, death or other losses caused by our products and may even be subject to criminal liabilities. In certain serious cases, our products may be recalled from the market and our business licenses may be revoked if our biopharmaceutical or medical device products are deemed to be defective. Any claim with large amount involved or a substantial number of claims may materially and adversely affected our reputation and sales volumes, and may incur significant costs and divert the attention of our management. In such cases, our business, financial condition and reputation could be materially and adversely affected.

We may fail to achieve widespread market acceptance due to competition in the PRC medical devices, chemical drugs and biological products markets.

We face competition from other local and overseas medical devices, chemical drugs and biological products companies providing products with similar indications which can be used as substitute for our products. Our competitors may have more extensive sales and marketing resources and greater technical, research and development and manufacturing resources than us, and multinational medical devices, chemical drugs and biological products companies may have more extensive capital, greater brand name recognition and larger customer bases.

Our sales volumes and revenues could be adversely affected by the increased competition in the PRC medical devices, chemical drugs and biological products markets if:

- our competitors adopt new technologies and launch products with higher efficiency;
- our competitors lower their production and distribution costs which results in a decrease in their product prices;
- product prices drop due to an oversupply of the products;
- our competitors adapt to changing market demand more quickly than us; or
- the increase in the number of manufacturers or distributors of substitute or similar products.

If our competitors' substitute products gain a wider market acceptance than any of our medical devices, chemical drugs and biological products, our sales volume, financial condition and business prospects may be adversely affected.

We may not realize the anticipated benefits of our potential future acquisitions or investments or be able to integrate any acquired employees, businesses or products, which in turn may negatively affect their performance and respective contributions to our results of operations.

We intend to selectively pursue strategic acquisitions of companies, products and technologies that will complement our efforts to grow our business. Any future acquisitions or investments may expose us to potential risks, including, among other things:

- unidentified issues not discovered in our due diligence process, such as hidden liabilities and legal contingencies;
- distraction of management's attention from normal operations during the acquisition and integration process;
- failure to effectively integrate acquired assets and talent into our corporate structure and culture;
- diversion of resources from our existing businesses and technologies;
- difficulties in retaining key employees of the acquired business;
- failure to realize synergies expected from acquisitions or business partnerships; and
- recognition of impairment losses related to goodwill and other intangible assets as a result of acquisitions.

We may also fail to identify or secure suitable acquisition or investment opportunities, or our competitors may capitalize on such opportunities before we do. Moreover, identifying such opportunities could demand substantial management time and resources, and negotiating and financing such acquisitions or investments could involve significant costs and uncertainties. If we fail to successfully source, execute and integrate acquisitions or investments, our overall growth could be impaired, and our results of operations could be adversely affected.

Our profitability could be adversely affected if we could not continue to receive preferential tax treatment or government grants.

Our Company and two of our PRC operating subsidiaries were first accredited as High and New Technology Enterprises in 2008, which entitled us to a preferential PRC income tax rate of 15% as compared to the 25% statutory income tax rate. High and New Technology Enterprises status is re-evaluated every three years. Our current High and New Technology Enterprises certificates were issued on September 4, 2014 with a valid term of three years, and therefore our Company and two of our PRC operating subsidiaries are entitled to the preferential tax rate of 15% for each of 2014, 2015 and 2016. The grant of the qualification as a High and New Technology Enterprise to a company is based on a number of factors, including whether the company has independent core intellectual property rights, whether its products fall within the scope of supported high and new technology, whether the proportion of its research and development expenses compared to total revenue meets certain thresholds and whether the percentage of its research and development staff compared to the total number of staff meets certain thresholds. In addition, our Company and our PRC operating subsidiaries have collaborated with our co-development partners on various research and development projects and have been receiving financial support from relevant government authorities from time to time to support our research and development activities. In 2012, 2013 and 2014, we recognized government grants of RMB6.8 million, RMB17.9 million and RMB25.7 million, respectively.

We cannot assure you that our Company and the two subsidiaries may continue to qualify as High and New Technology Enterprises, or may continue to receive government grants for our research and development projects, in the future. In the event that any of our Company and the two subsidiaries is no longer entitled to the 15% preferential income tax rate and will be subject to the 25% income tax rate, or that the government grants we receive are reduced or discontinued, our profit margins and profitability will be adversely affected.

Our ability to distribute cash dividends depends on the cash dividends distributed by our subsidiaries to us, as well as relevant tax policies.

If our subsidiaries could not timely distribute profits in a sufficient amount to us, our ability to distribute cash dividends may be adversely affected. To ensure our ability to distribute cash dividends, the articles of association of each of our subsidiaries currently in effect provide that the profits distributed in cash shall not be less than 70% of the total distributable profits of the current year.

However, we may be forced to limit the amount of cash dividends distributed from our subsidiaries in order to keep our current qualification as a High and New Technology Enterprise. Under applicable rules, to be qualified as a High and New Technology Enterprise, the revenues generated from high and new technical products shall account for at least 60% of our total revenues. If the competent government authority determines that the cash dividends distributed by our subsidiaries shall be included as part of our revenues in connection with the determination of the High and New Technology Enterprise status, we may reduce the amount of cash dividends distributed from our subsidiaries to the extent possible under the applicable articles of association. As such, our ability to distribute cash dividends to our shareholders may be adversely affected.

We may not be able to successfully develop and construct our investment projects.

We plan to use approximately 25% of the total proceeds received from this Global Offering for the development and construction of a number of projects, among which, the new production line for our proprietary animal origin fibrin sealant products and the industrialization of biomedical materials are expected to have a material influence on our business prospects, revenues and profitability. In addition, we plan to construct a new production facility at Minhang District, Shanghai, with an estimated capital expenditure of approximately RMB250.0 million. We expect the new production facility to commence operations in 2018. We cannot assure you that we could complete such development and construction as scheduled due to the uncertainties in the construction process and delay in obtaining government approvals, as well as any change in the investment amount.

In addition, even if we could complete the development and construction of such projects in the manner as we expected, the sales of relevant products for these projects may be adversely affected by a number of factors, including the development of our competitors, fluctuations in the market price of the products, changes in market demand, launches of substitute products or changes in macroeconomic situations. If we could not successfully develop, construct and commercialize such investment projects, our business, financial condition and results of operations may be adversely affected.

If our products fail to meet the required quality standards, it could harm our business and reputation, and our revenues and profitability could be adversely affected.

Our products and manufacturing processes are required to meet certain quality standards. We have established a quality control management system and standard operating procedures to help prevent quality issues in respect of our products. Please refer to "Business — Quality Management" for further details of our quality control management system and standard operating procedures. Despite our quality control system and procedures, we cannot eliminate the risk of errors, defects or failure. Quality defects may fail to be detected or cured as a result of a number of factors, many of which are outside our control, including:

- manufacturing errors;
- technical or mechanical malfunctions in the manufacture process;
- human error or malfeasance by our quality control personnel;
- tampering by third parties; and
- quality issues with the raw materials we purchase or produce.

Failure to detect quality defects in our products or failure to prevent such defective products from being delivered to end-users could result in patient injury, product recalls or withdrawals, license revocation or regulatory fines, or other problems that could seriously harm our reputation and business, expose us to liability, and adversely affect our business, financial condition and results of operations.

We may not maintain sufficient insurance to cover the risks arising from our business operations.

We do not maintain any product liability insurance or business interruption insurance. If any product liability claims are brought against us, or if we experience any business disruptions, we may incur substantial costs and may experience diversion of our resources. In addition, we cannot obtain insurance at a reasonable cost or at all for certain types of losses, such as losses from war, acts of terrorism, earthquakes, typhoons, flooding and other natural disasters. We could suffer from financial losses due to an uninsured loss or a loss in excess of insured limits. We may also lose all or a portion of our production capacity. Our business, financial condition and results of operations may be materially and adversely affected if we experience uninsured losses or losses in excess of our insurance coverage.

Our employees or distributors may engage in corrupt practices or other improper conduct which could harm our reputation and business.

We have adopted internal policies and other measures prohibiting our employees from engaging in corrupt practices or other improper conducts. See "Business — Legal and Compliance — Anti-Corruption Compliance" for details of our anti-corruption measures. However, we may not be able to effectively control the conduct of our employees. The distribution agreement with our distributors also prohibit our distributors from engaging in corrupt practices, such as providing benefits to the hospitals or other medical institutions to influence their procurement decisions, but we have limited control over our distributors who are all third parties. In the PRC pharmaceutical industry, the corrupt practices include, among others, acceptance of kickbacks, bribes or other illegal gains or benefits by hospitals and other medical institutions from pharmaceutical manufacturers and distributors in connection with the procurement or prescription of certain

pharmaceutical products. We cannot assure you that our internal policies or other anti-corruption measures adopted by us are effective and that our employees or distributors will not engage in corrupt or other improper conduct or violate applicable anti-corruption laws in the PRC in the future.

Currently, the practices of our employees and distributors are subject to heightened scrutiny as the PRC government authorities are increasing their efforts to combat corrupt, illegal or improper business practices in the PRC pharmaceutical industry. If our employees or distributors engage in corrupt or other improper conduct, we could be held liable for such actions and may be required to pay damages or fines, and our business and reputation could be adversely affected.

Furthermore, pursuant to the Provisions on the Establishment of Adverse Records of Commercial Briberies in the Medicine Purchase and Sales Industry (關於建立醫藥購銷領域商業賄賂不良記錄的規定) issued by NHFPC on December 25, 2013, if we are involved in any criminal, investigational or administrative procedure for any commercial bribery, we will be listed in the adverse records of commercial briberies by provincial health and family planning administrative department, as a result of which our products are not allowed to be purchased by public medical institutions or medical and health institutions receiving financial subsidies of specific territorial scope in two years.

We may be exposed to liability and potential costs for environmental compliance.

We are subject to PRC laws and regulations concerning the discharge of effluent water and solid waste, as well as the use, storage, handling and disposal of hazardous substance during our manufacturing process. We are also required to obtain clearances and authorizations from competent authorities for the treatment and disposal of such discharge. If we fail to comply with any of these laws and regulations, we may be subject to fines, criminal sanctions, revocations of operating permits, shutdown of our production facilities and obligations to rectify the misconducts. We cannot assure you that we will not incur material liabilities or obligations in connection with relevant laws and regulations for environmental protection.

There is also no assurance that we will be in full compliance with these regulatory requirements as the PRC government may adopt more stringent environmental regulations in the future. If there is any change in the environmental regulations, we may need to incur additional capital expenditures to, among others, install, upgrade or supplement our pollution control equipment and the use, storage, handling and disposal of hazardous substances. If we need to spend a substantial amount in order to comply with new environmental protection laws and regulations, we may be forced to change or cease certain of our business operations.

Our business may be affected by adverse news, scandals or other incidents that have a negative impact on the reputation and public perception of the PRC pharmaceutical industry.

Incidents that reflect doubt as to the quality or safety of pharmaceutical products manufactured, distributed or sold by other participants in the pharmaceutical industry, particularly the PRC pharmaceutical industry, including our competitors, have been, and may continue to be, subject to widespread media attention. Such incidents may damage the reputation of not only the parties involved, but also the pharmaceutical industry in general, even if such parties or incidents have no relation to us, our suppliers, our distributors or our third party promoters.

Similarly, incidents not related to product quality or safety may also have a negative impact on the reputation and perception of the pharmaceutical industry. For example, starting from 2013, GlaxoSmithKline was alleged to have funneled a substantial amount of money to individual government officials, doctors, hospitals and others in connection with the promotion and sales of its drugs, which resulted in multiple arrests, including some of GlaxoSmithKline's executives in China. The incident has received widespread negative media coverage which has led to, and may continue to lead to public distrust of the pharmaceutical industry as a whole in the near future. As a result of the GlaxoSmithKline scandal, or any other past or future incident involving any pharmaceutical industry participant, our reputation may be adversely affected.

Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Immediately following the Global Offering, our Controlling Shareholders Mr. Jiang Wei and Ms. You Jie will hold in aggregate 47.25% of our Shares, assuming the Over-allotment Option is not exercised. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

RISKS RELATING TO CHINA

Changes in the political, economic and social environment as well as the laws and regulations in China could have an adverse effect on our business.

We conduct substantially all of our business operations in China. Accordingly, our business, financial condition, results of operations and prospects are subject to the risks of future economic, political and legal developments in China. The PRC economy differs from the economies of other developed countries in many aspects, including structure, government intervention, level of development, growth rate, control of foreign exchange, capital reinvestment, rate of inflation and resource allocation. Since the late 1970s, the PRC government has been implementing economic reform measures and using market forces to develop the PRC economy. However, the PRC government still plays a significant role in regulating industries by promulgating economic policies.

The PRC government also exercises significant control over the economy through resource allocation, controls on the payment of foreign currency denominated obligations, monetary policy and preferential treatment of particular industries or companies. The PRC government has implemented various measures in an effort to control the growth rate and structure of certain industries and limit inflation has slowed the growth of credit availability. The various macroeconomic measures adopted by the PRC government to guide economic growth may not be

effective in sustaining the current growth rate of the PRC economy. If the PRC economy experiences any decrease in growth rate or a significant downturn, the unfavorable business environment and economic conditions could negatively affect our business, financial condition and results of operations.

Uncertainties in the PRC legal system could have an adverse effect on our business.

We are incorporated under the laws of the PRC. Our operations are subject to the uncertainties of the PRC legal system which is essentially a civil law system based on written statutes where, unlike common law systems, decisions of past legal cases have limited precedential value. The PRC government has, since 1979, begun promulgating a comprehensive system of laws and regulations governing economic matters in general. These laws and regulations are, however, relatively new and are often changing and published cases concerning these laws and regulations are limited. Their interpretation and enforcement therefore, involve a fair amount of uncertainty. We may be required in the future to procure additional permits, authorizations and approvals for our existing and future projects and we cannot assure you that we will obtain these in a timely manner or at all.

Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. For example, the intellectual property rights and confidentiality protections in the PRC may not be as effective as in other countries. Any litigation or regulatory enforcement action in China may be protracted and could result in significant costs to us and a diversion of our resources and management attention. We cannot predict future developments in the PRC legal system, particularly with respect to the PRC pharmaceutical industry, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof.

The PRC legal system has uncertainties that could limit the legal protections available to you. Holders of H Shares may not be able to enforce their rights successfully as shareholders in the PRC according to the PRC Company Law or Hong Kong regulatory provisions.

The PRC legal system is based on written statutes. Prior court decisions may be quoted for reference but have limited precedential value. Since 1979, the PRC Government has promulgated laws and regulations that deal with economic matters, including securities regulations, shareholders' rights, foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law.

However, because these laws and regulations are relatively new, and because of the relatively limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve substantial uncertainties. As a result, the legal protections available to you under the PRC legal system may be limited. Our Articles of Association provide that disputes between holders of H Shares and our Company, our directors, supervisors or senior officers or holders of Domestic Shares arising out of our Articles of Association or any rights or obligations conferred or imposed thereupon by the PRC Company Law and related rules and regulations concerning our affairs are to be resolved through arbitration. Our Articles of Association further provide that any arbitral award will be final, conclusive and binding on all parties. A claimant may elect to submit a dispute to an arbitration organization in Hong Kong or the PRC. Awards that are made by PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards may be recognized and enforced by PRC

courts, subject to the satisfaction of certain PRC legal requirements. However, to our knowledge, no action has been brought in the PRC by any holder of H Shares to enforce an arbitral award, and we cannot assure you that any action brought in the PRC by any holder of H Shares to enforce a Hong Kong arbitral award would succeed.

PRC laws, rules and regulations applicable to companies listed overseas do not distinguish between minority and controlling shareholders in terms of their rights and protections. However, we cannot guarantee that you will have the same protections afforded to a minority shareholder by companies incorporated under the laws of the United States, certain member states of the European Union or Hong Kong or other countries.

It may be difficult to effect service of process outside the PRC or enforce judgments obtained from non-PRC courts in China.

We are a company established under the laws of the PRC, and all of our assets and all of our subsidiaries are located in the PRC. In addition, most of our Directors, Supervisors and members of senior management reside within the PRC, and the assets of our Directors, Supervisors and members of senior management may be located within the PRC. As a result, it may be difficult to effect service of process outside the PRC upon most of our Directors and officers. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC if that jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of any other requirements. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom and most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

On July 14, 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 (關於內地與香港特別行政區法院互相認可和執行當事人協議管轄的民商事案件判決的安排), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant 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. As a result, if the parties in dispute have not agreed to enter into a choice of court agreement in writing, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

Our business may be adversely affected by fluctuations in the value of the Renminbi.

With our business operations based in the PRC, we receive substantially, if not all, our revenues in Renminbi, which is not readily convertible into other currencies. The exchangeable value of the Renminbi is subject to changes in PRC policies and international economic and political developments. Effective from July 21, 2005, the PRC government introduced a managed floating exchange rate system such that the Renminbi was no longer pegged solely to the US dollar but would instead be pegged against a basket of currencies, as determined by the PBOC, against which it can rise or fall within stipulated ranges against different currencies each day. Effective from May 21, 2007, the PBOC expanded the floating range of the trading price of the US dollar against the Renminbi in the interbank spot foreign exchange market. The exchange rate may become volatile or the Renminbi may be revalued further against the US dollar or other currencies, which may result in the value of the Renminbi appreciating or depreciating against the US dollar or other currencies.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of Renminbi against U.S. dollars, Hong Kong dollars or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of Renminbi may adversely affect the value of, and any dividends payable on, H Shares in foreign currency. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk. As a result, any significant increase in the value of Renminbi against foreign currencies could reduce the value of our foreign currency denominated revenue and assets and could materially and adversely affect our business, financial condition and results of operations.

Our foreign exchange transactions are subject to the PRC government's control of foreign currency conversion.

Currently, Renminbi is not a freely convertible currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange laws and regulations which would affect exchange rates and our foreign exchange transactions. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including cash payments on declared dividends, if any, on our H Shares. We cannot assure you that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under existing PRC foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE, but we are required to present documentary evidence of such transactions and to process such transactions at designated qualified foreign exchange banks within China. Accordingly, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements.

However, we may not be able to pay dividends to the holders of our H Shares in foreign currencies if the PRC Government impose restrictions on access to foreign currencies for current account transactions at its discretion. Furthermore, our foreign exchange transactions under the capital account must be approved in advance by the SAFE. These limitations could restrict our ability to obtain sufficient foreign exchange. Any failure for us to obtain approval from the SAFE to convert Renminbi into any foreign exchange may adversely affect our capital expenditure plans, and even our business, financial condition and results of operations.

Our payment of dividends is subject to restrictions under PRC laws and regulations.

Under PRC laws and regulations, we may only pay dividends out of distributable profits. Distributable profits refer to the net profits in a certain period, less any recovery of cumulative losses and allocations to statutory and other reserves that we are required to make. As a result, we may not have sufficient distributable profits, if any, to make dividend distributions to our Shareholders in the future. Any distributable profits not distributed in a given year is retained and available for distribution in subsequent years.

Moreover, as distributable profits are calculated differently under accounting principles generally accepted in the PRC ("PRC GAAP") than under IFRS, our subsidiaries in the PRC may not have distributable profits as determined under PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends. Failure by our subsidiaries to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders, including those periods for which our financial statements indicate that our operations have been profitable.

Foreign holders of our H Shares may be subject to PRC income tax.

Non-PRC resident individual holders of H Shares are subject to PRC individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 045 (關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知) (Guo Shui Han [2011] No. 348) dated June 28, 2011 issued by the State Administration of Taxation, dividends paid to non-PRC resident individual holders of H Shares are subject to a tax rate from 5% to 20%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us.

At present, there are no PRC laws specifying the tax rate for income from the sales of the shares of listed companies on a stock exchange overseas by a non-PRC resident individual. Non-PRC resident individuals, in practice, are not paying individual income tax for the realized profit made in selling H Shares. However, we cannot assure you that such practice will continue in the future. If the PRC government publish rules and subject relevant non-PRC resident individuals to individual income tax, the value of such individual holders' investments in H Shares may be adversely affected.

Under the EIT Law and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company, subject to reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Specifically, Reply of the State Administration of Taxation on Imposition of Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (《國家税務總局關於非居民企業取得B股等股票股息徵收企業所得税問題的批復》), which was issued by the SAT and came into effect on July 24,2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and thereafter is distributes to non-resident enterprise. Such withholding tax may be reduced or exempted pursuant

to an applicable double taxation treaty. Non-PRC enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. As a result of the imposition of PRC taxes, the value of such non-PRC enterprise holders' investments in H Shares may be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

The liquidity of, and the market price for, our Shares may be volatile as there has been no prior public market for our Shares.

There had been no public market for our Shares prior to the Global Offering. The initial Offer Price for our Shares to the public will be the result of negotiations between us and the Sole Global Coordinator, and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. We cannot, however, assure you that the Listing of our Shares on the Stock Exchange will result in an active and liquid public trading market for our Shares. The market price, liquidity and trading volume of our Shares may be volatile.

Our Shares will be traded at such volume and price as may be determined by factors such as variations in our operating results, announcements made by us or our competitors, developments in the pharmaceutical industry, regulatory developments in the PRC affecting us, our customers or our competitors, addition or departure of our key personnel, the depth and liquidity of the market for our Shares and the general economy. Furthermore, our Shares may be subject to changes in price not directly related to our performance given the shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past.

Future sales or perceived sales or conversion of substantial amounts of our H Shares in the public market could have a material adverse effect on the prevailing market price of our H Shares, and may result in dilution of your interests.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our shareholders may experience dilution in their shareholdings to the extent we issue additional securities in future offerings. A certain amount of our Shares currently outstanding will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. After these restrictions lapse or if they are waived or breached, future sales, or perceived sales of substantial amounts of our Shares, or the possibility of such sales, could negatively impact the market price of our H Shares and our ability to raise equity capital in the future.

In addition, subject to the approval of the State Council securities regulatory authority, all of our Domestic Shares may be converted into H Shares and such converted Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the converted Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. No general meeting for class shareholder voting is required for the listing and trading of the converted Shares on an overseas stock exchange. However, the Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of the listing. Therefore, upon obtaining the requisite approval, Domestic Shares currently held by our domestic shareholders may be traded, after the conversion, in the form of H Shares on the Stock Exchange after one year of the Global Offering, which could further increase the supply of our H Shares in the market and could negatively impact the market price of our H Shares.

You will experience immediate dilution and may experience further dilution should we decide to issue additional Shares in the future.

The Offer Price for our Shares is higher than the net tangible asset value per Share initially issued to our Shareholders prior to the Global Offering. Therefore, purchasers of our Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value to HK$17.43 per Share, based on the mid-point of the Offer Price range of HK$53.75. We may, in the future, consider offering and issuing additional Shares in expanding our business which would cause further dilution. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Due to the gap of several days between pricing and trading of our Offer Shares, the initial trading price of the Offer Shares could be lower than the Offer Price.

The Offer Price of our H Shares will be determined on the Price Determination Date. However, our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the pricing date. As a result, investors may not be able to sell or deal in our H Shares during such period, and thus are subject to the risk that the market price of our Offer Shares could fall before trading begins as a result of adverse market conditions or other adverse developments occurring during this period.

There is uncertainty with respect to our ability to pay dividends in the future.

Our ability to pay dividends depends on whether we are able to generate sufficient earnings. The Board is responsible for proposing declarations and distributions of dividends and such proposal is subject to our Shareholders' approval. A decision to declare and distribute dividends is based on a number of factors, including but not limited to, our results of operations, financial conditions, capital expenditure requirements, the market conditions, our plans for business developments, contractual obligation and regulatory restrictions. There is no absolute correlative relationship between profits stated in our financial statements and our financial capacity in distributing dividends to our Shareholders. As a result, there can be no assurance whether, when, and in what form and amount, we will pay dividends in the future.

There is no assurance that the facts and other statistics contained in this prospectus are accurate and reliable.

Certain statistics, industry data or other information contained in this prospectus have been derived from various official sources. Our Directors have taken all reasonable care to ensure that the facts and statistics are accurately reproduced from such sources. However, such information has not been independently verified by us, the Sole Global Coordinator, our or their respective affiliates, directors, employees and advisers, or any other parties involved in the Global Offering. No representation is given as to the accuracy to such statistics, industry data and other information. As a result, we cannot guarantee the quality and reliability of such source materials. Investors should give careful consideration as to the amount of weight or importance placed on such statistics, industry data and other information.

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

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This usually means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by the Stock Exchange at its discretion.

The headquarters and most of the existing businesses of our Company are located in the PRC. For the purposes of the management and operations of our Company, the appointment of additional executive Directors who are ordinarily resident in Hong Kong would not only increase the administrative expenses of our Company, but is also unduly burdensome and impracticable in accordance with our Company's established and contemplated development strategies, and will reduce the effectiveness and responsiveness of the Board in making decisions for our Group. Therefore, our Company currently does not, and in the foreseeable future will not, have executive Directors who are ordinarily resident in Hong Kong. Currently, our five executive Directors are ordinarily resident in the PRC.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from the strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules. We have made the following arrangements in order to maintain effective communication between the Stock Exchange and us:

- we have appointed Mr. Huang Ping, one of our Company's executive Directors, one of our joint company secretaries and the board secretary of the Company, who is a PRC resident, and Mr. Chiu Ming King, our other joint company secretary, who is a Hong Kong resident, as our authorized representatives and they will serve as our Company's principal channel of communication with the Stock Exchange. Each of our authorized representatives will be readily available to meet with the Stock Exchange in Hong Kong within a reasonable timeframe upon request and will be readily contactable by telephone, facsimile or email;
- we have provided the authorized representatives and the Stock Exchange with the contact details of each Director, including their office and mobile phone numbers, facsimile numbers and email addresses. Both of our authorized representatives have means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Board on any matters;
- we have appointed on April 6, 2015 an independent non-executive Director, Mr. Wong Kwan Kit, who ordinarily resides in Hong Kong, and each of the Directors who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period, when required;
- we have appointed Guotai Junan Capital Limited as our compliance adviser, which will have access at all times to our authorized representatives, Directors and other officers and will serve as an additional channel of communication of our Company with the Stock Exchange from the Listing Date to the date when our Company distributes our annual report for the first full financial year immediately after the Listing; and

- in the event that a Director expects to travel and be out of office, he shall provide the phone number of the place of his accommodation to our authorized representatives.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint an individual as our company secretary who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Stock Exchange:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

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

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

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Stock Exchange considers when assessing an individual's "relevant experience":

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, and the Takeovers Code;

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

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Huang Ping as one of our joint company secretaries. Mr. Huang Ping joined our Group in November 2007 and has served as the supervisor of Shanghai Jianhua, Shanghai Qisheng and Shanghai Likangrui from November 2007, December 2007 and December 2010 onwards, respectively. Further, Mr. Huang Ping was appointed as a director of the Company since July 2010 and the secretary to the Board since October 2010, and he was also re-designated as an executive Director on December 7, 2014. He is very familiar with the operations of the Group. However, Mr. Huang Ping does not possess the specified qualifications required by Rule 3.28 of the Listing Rules. Given the important role the company secretary is to play in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- we have appointed Mr. Chiu Ming King, who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as the other joint company secretary to communicate regularly with Mr. Huang Ping on matters relating to the Listing Rules as well as other applicable laws and regulations, and inform Mr. Huang Ping on a timely basis of any amendments to the Listing Rules and any new or amended laws, regulations and codes that are applicable to our Company. Mr. Chiu Ming King will also work closely with and provide assistance to Mr.

Huang Ping in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Huang Ping to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) of a company secretary;

- Mr. Huang Ping will also be assisted by our compliance adviser, particularly in relation to corporate governance practices and ongoing compliance with the Listing Rules and the applicable laws and regulations;
- both of Mr. Chiu Ming King and Mr. Huang Ping will complete the required professional training in accordance with Rule 3.29 of the Listing Rules; and
- our Company will ensure that Mr. Huang Ping has access to the relevant trainings and support to enable him to familiarize himself with the Listing Rules and the duties and functions of a company secretary of an issuer listed on the Stock Exchange.

Upon expiry of the three-year period, the qualifications and experience of Mr. Huang Ping will be re-evaluated. Mr. Huang Ping is expected to demonstrate to the Stock Exchange's satisfaction that he, having had the benefit of Mr. Chiu Ming King's assistance for three years, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. In the event that Mr. Huang Ping has obtained the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

ISSUE OF ANNUAL REPORT AND ACCOUNTS UNDER THE LISTING RULES

Pursuant to Rule 13.46(2) of the Listing Rules, an issuer is required to send a copy of its annual report and accounts or summary financial report to its shareholders within four months after its financial year-end.

Our Company has included in this prospectus the financial information in respect of the year ended December 31, 2014, and is not in breach of the Articles or applicable laws and regulations or other regulatory requirements of the PRC for not publishing annual results announcements and distributing annual reports and accounts within four months after the financial year ended December 31, 2014. In addition, our Company has included in this prospectus a statement as to whether we intend to comply with the provisions in the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules upon the Listing.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 13.46(2) of the Listing Rules in respect of the annual results for the year ended December 31, 2014. Please also refer to in the paragraph headed "Compliance with the Listing Rules and Appendix 14 to the Listing Rules" under the section headed "Directors, Supervisors and Senior Management" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Securities and Futures (Stock Market Listing) Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

CSRC APPROVAL

We have obtained an approval letter from the CSRC for the Global Offering and the making of the application to list the H Shares on the Stock Exchange dated January 28, 2015. In granting such approval, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

INFORMATION ON THE GLOBAL OFFERING

The 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 authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters, any of their respective Directors, agents, employees or advisors or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, 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 authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales 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 authorization by the relevant securities regulatory authorities or an exemption therefrom.

UNDERWRITING

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

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Global Coordinator. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement, with one of the conditions being that the Offer Price is agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters). The International Placing is expected to be fully underwritten by the International Purchasers subject to the terms and conditions of the International Purchase Agreement, which is expected to be entered into on or about the Price Determination Date. Further information about the Underwriters and the underwriting arrangements is set forth in the section headed "Underwriting" in this prospectus.

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our H Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our H Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, 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 H Shares.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to Hong Kong stamp duty.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

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

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Company Law, the Special Regulations and our Articles of Association;
- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agrees with each of our Shareholders to refer all disputes and claims concerning our affairs and arising from any rights or obligations conferred or imposed by the Articles of Association, the Company Law or other relevant laws or other relevant laws and administrative regulations to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and
- authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed "Structure of the Global Offering" in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Hong Kong Offer Shares is set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date as determined by HKSCC. 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. Investors should seek the advice of their stockbroker or other professional advisors for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted in to CCASS.

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in RMB and US dollar have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following rates:

HK$1.00 : RMB0.7895
HK$7.7572 : US$1.00

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

LANGUAGE

In this prospectus, if there is any inconsistency between the Chinese name of the entities or enterprises established in China, PRC nationals, PRC Government entities or PRC laws and regulations and their English translations, the Chinese names shall prevail. English translations of names of entities or enterprises established in China and PRC laws and regulations are for identification purpose only.

ROUNDING

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

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Dr. Hou Yongtai (侯永泰)	Room 602, No. 15, Alley 300, Jinxiu Road, Pudong New District, Shanghai, China	Chinese
Mr. Wu Jianying (吳劍英)	Room 1901, No. 13, Alley 883, Shuicheng Road, Changning District, Shanghai, China	Chinese
Mr. Ling Xihua (凌錫華)	Room 302, No.2, Alley 881, Fahuazheng Road, Changning District, Shanghai, China	Chinese
Mr. Huang Ping (黃平)	Room 601, No. 40, Alley 917, Qinzhounan Road, Shanghai, China	Chinese
Ms. Chen Yiyi (陳奕奕)	Room 401, No. 23, Alley 168, East Shiquan Road, Shanghai, China	Chinese
Non-executive Director		
Ms. You Jie (游捷)	Room 101, No. 22, Alley 125, Zhanghong Road, Shanghai, China	Chinese
Mr. Gan Renbao (甘人寶)	Room 2801, No. 34, Alley 255, Wanpingnan Road, Xuhui District, Shanghai, China	Chinese
Independent non-executive Directors		
Mr. Chen Huabin (陳華彬)	No. 39 South College Road, Haidian District, Beijing, China	Chinese
Mr. Shen Hongbo (沈紅波)	Room 604, No. 28, Alley 1450, Guoquanbei Road, Shanghai, China	Chinese
Mr. Li Yuanxu (李元旭)	Room 203, No. 28, Alley 102, Guonian Road, Yangpu District, Shanghai, China	Chinese
Mr. Zhu Qin (朱勤)	Room 101, No. 4, Block 8, Alley 171, Jianzhong Road, Zhangjiang Town, Pudong New District, Shanghai, China	Chinese
Mr. Wong Kwan Kit (王君傑)	Flat C, Floor 55, Block 3, Lake Silver, Ma On Shan, New Territories, Hong Kong	Chinese

SUPERVISORS

Name	Residential Address	Nationality
Mr. Liu Yuanzhong (劉遠中)	Room 302, No. 6, Alley 2855, Qishen Road, Minhang District, Shanghai, China	Chinese
Ms. Yang Qing (楊青)	No. 220 Handan Road, Yangpu District, Shanghai, China	Chinese
Mr. Tang Yuejun (唐躍軍)	Alley 148, Rende Road, Yangpu District, Shanghai, China	Chinese
Mr. Wei Changzheng (魏長征)	Room 102, No.36, Alley 255, Fuquan Road, Changning District, Shanghai, China	Chinese
Mr. Yang Linfeng (楊林鋒)	Room 602, Block 27, Beichayuan Community, Alley 80, Guoshun Road, Yangpu District, Shanghai, China	Chinese

Please refer to "Directors, Supervisors and Senior Management" for further details of our Directors and Supervisors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	UBS Securities Hong Kong Limited 42/F One Exchange Square 8 Connaught Place Central Hong Kong
Sole Global Coordinator	UBS AG Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Joint Bookrunners and Joint Lead Managers	UBS AG Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong CMB International Capital Limited Units 1803-4, 18/F Bank of America Tower 12 Harcourt Road Central Hong Kong

	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
Legal Advisers to our Company	*As to Hong Kong law and United States law:* O'Melveny & Myers 31st Floor, AIA Central 1 Connaught Road Central Hong Kong *As to PRC law:* Grandall Law Firm (Shanghai) 23-25/F, Garden Square, 968 West Beijing Road Shanghai, China
Legal Advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law and United States law:* Mayer Brown JSM 16th - 19th Floors, Prince's Building 10 Chater Road Central, Hong Kong *As to PRC law:* Grandway Law Offices 7/F, News Plaza No. 26 Jianguomen Inner Street Beijing, China
Reporting Accountant	Ernst & Young *Certified Public Accountants* 22nd Floor, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong
Receiving Banks	Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 38 Kwun Tong Road Kwun Tong Wing Lung Bank Limited 45 Des Voeux Road Central, Hong Kong

Registered office	No. 5 Dongjing Road Songjiang Industrial Zone Shanghai, China
Headquarters and principal place of business in the PRC	4/F, Block 2, Alley 139 Anshun Road, Changning District, Shanghai, China
Principal place of business in Hong Kong	Suite 5501, 55th Floor Central Plaza 18 Harbour Road Wanchai, Hong Kong
Company's website	http://www.3healthcare.com/ (information contained in this website does not form part of this prospectus)
Joint company secretaries	Mr. Huang Ping (黃平) Room 601, No. 40, Alley 917, Qinzhounan Road, Shanghai, China Mr. Chiu Ming King (趙明璟) *(an associate member of the Hong Kong Institute of Chartered Secretaries)* Suite 5501, 55th Floor Central Plaza 18 Harbour Road Wanchai, Hong Kong For further details of the qualifications of Mr. Huang Ping and Mr. Chiu Ming King, see "Directors, Supervisors and Senior Management — Executive Directors" and "Directors, Supervisors and Senior Management — Joint Company Secretaries."
Authorized representatives	Mr. Huang Ping (黃平) Room 601, No. 40, Alley 917, Qinzhounan Road, Shanghai, China Mr. Chiu Ming King (趙明璟) Suite 5501, 55th Floor Central Plaza 18 Harbour Road Wanchai, Hong Kong

Compliance adviser	Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Audit committee	Mr. Shen Hongbo (沈紅波) *(chairman)* Ms. You Jie (游捷) Mr. Li Yuanxu (李元旭) Mr. Chen Huabin (陳華彬) Mr. Zhu Qin (朱勤)
Remuneration committee	Mr. Zhu Qin (朱勤) *(chairman)* Mr. Wu Jianying (吳劍英) Mr. Ling Xihua (凌錫華) Mr. Shen Hongbo (沈紅波) Mr. Li Yuanxu (李元旭)
Nomination committee	Mr. Li Yuanxu (李元旭) *(chairman)* Dr. Hou Yongtai (侯永泰) Ms. You Jie (游捷) Mr. Chen Huabin (陳華彬) Mr. Zhu Qin (朱勤)
Strategy committee	Ms. You Jie (游捷) *(chairlady)* Dr. Hou Yongtai (侯永泰) Mr. Wu Jianying (吳劍英) Mr. Huang Ping (黃平) Mr. Li Yuanxu (李元旭)
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
Principal Bankers	Industrial and Commercial Bank of China Ltd. (Xinhua Road Sub-branch, Shanghai) No. 506 Xinhua Road, Changning District, Shanghai, China Bank of Shanghai, Co. Ltd (Changning Branch, Shanghai) No. 320 Xianxia Road, Changning District, Shanghai, China

We believe that the sources of the information in this section 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 from official government and non-official sources has not been independently verified by us, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy. Accordingly, the official government and non-official sources contained herein may not be accurate and should not be unduly relied upon.

SOURCE OF INFORMATION

We commissioned SME Research, a market research institution affiliated to CFDA, to conduct an analysis of, and to report on, the medical devices market, the chemical drugs market, the biological products market, the orthopedic intra-articular viscosupplement market, the post-operative anti-adhesion market, the ophthalmic viscoelastic market and the rhEGF market in China. SME Research has a nation-wide data collection network and has provided market research and analysis for a number of companies listed on the stock exchanges in the PRC and the Stock Exchange. The commissioned report has been prepared by SME Research independent of our influence, and we paid no more than RMB400,000 to SME Research for the commissioned report.

Market Size and Market Share Methodology

According to SME Research, the market data provided in this section are based on all the relevant products' data and, for each product, market size is calculated according to the sales volume and retail prices of distributors. The sales volume and retail prices information are estimated primarily through a variety of research methods, including tender prices at sample hospitals and retail drug stores and other industry statistics in the SME Research database and interviews with market participants and hospitals. The retail prices are higher than the prices at which we sell to the distributors (i.e. selling prices) due to multi-layer of distributor markups in some cases as well as the hospital markup at the retail level, resulting in that the retail prices could be significantly higher than selling prices. Under this methodology, the market size at retail level is often greater than the sum of the revenues by each company in the sector. The market share data reflects the relative percentage calculated using the relevant products' retail level sales for each company divided by the retail level market size.

The research was carried out through a blend of primary research and secondary research findings consummated by a team of SME Research's in-house subject matter experts. The primary research was backed by statistical information collected by SME Research via interviews and site visits. A significant contributor to the secondary research was SME Research's proprietary database. The research includes both historical and forecast information which has been quoted in this prospectus. Forecasted data was projected on the basis of analysis of the China macroeconomic data as well as that of historical data of above-mentioned markets and specific industry related drivers. In compiling and preparing such information and data for the Company, SME Research assumed among other things, that:

- the macroeconomic trends such as steady GDP growth and increasing disposable income as well as demographic trends of aging population will continue in China;
- the above-mentioned markets maintain stable growth and no significant factor occurs that leads to the development of the markets deviate from their current trends;
- no revolutionary change occurs in connection with the usage of intra-articular viscosupplement, OVD, anti-adhesion or rhEGF products;
- no significant change occurs in connection with regulatory environment in China; and
- no quality issues in connection with any specific product in the above-mentioned markets occurs which leads to a change in doctors' or patients' preference.

Based on the above, nothing has come to the attention of our Directors and the Sole Sponsor to indicate that the disclosure of future projection and industry data included in this section is misleading. Our Directors are not aware of any material adverse change to the market information set out in the SME Research reports since the dates of respective reports.

OVERVIEW

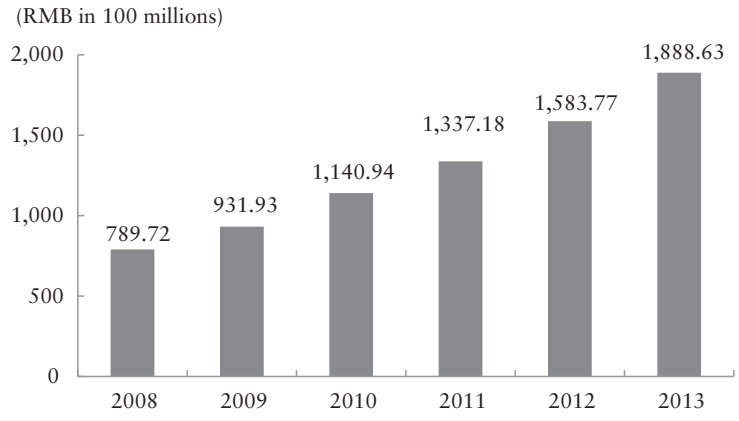
Our business operates in the large and rapidly growing healthcare industry in China. We believe that the continual growth of the healthcare industry in China is driven by a combination of favorable socioeconomic factors including the growth of Chinese people's disposable income and spending on healthcare, the size of the overall Chinese population and proportion of aging population, the size of China's economy and the active support from the PRC government of healthcare spending and reforms. We expect these factors to continually present significant growth potential for the PRC medical device industry and biopharmaceutical industry, two important segments of the healthcare industry.

MEDICAL DEVICES, CHEMICAL DRUGS AND BIOLOGICAL PRODUCTS MARKETS IN CHINA

Market Size and Growth Rate of the PRC Medical Devices Market

According to SME Research, the aggregate revenues from the sales of medical devices industry in China grew from RMB79.0 billion in 2008 to RMB188.9 billion in 2013, representing a CAGR of 19.1%.

The following chart illustrates the historical sales revenues of the medical devices industry in China for the periods indicated:

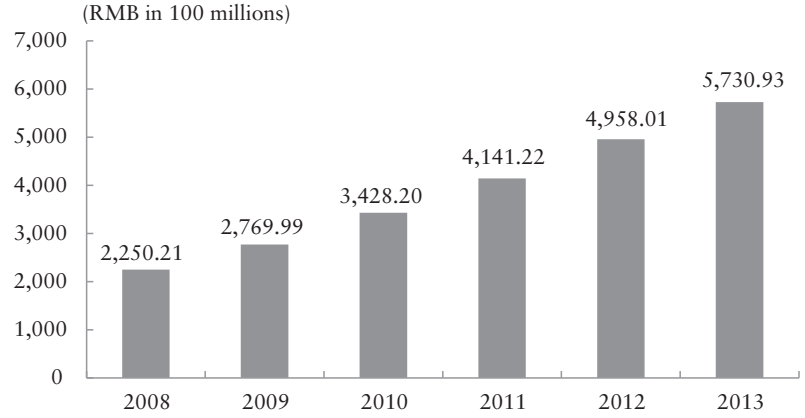


Source: SME Research

Market Size and Growth Rate of the PRC Chemical Drugs Market

According to SME Research, the aggregate revenues from the sales of chemical drugs industry in China grew from RMB225.0 billion in 2008 to RMB573.1 billion in 2013, representing a CAGR of 20.6%.

The following chart illustrates the historical sales revenues of the chemical drugs industry in China for the periods indicated:

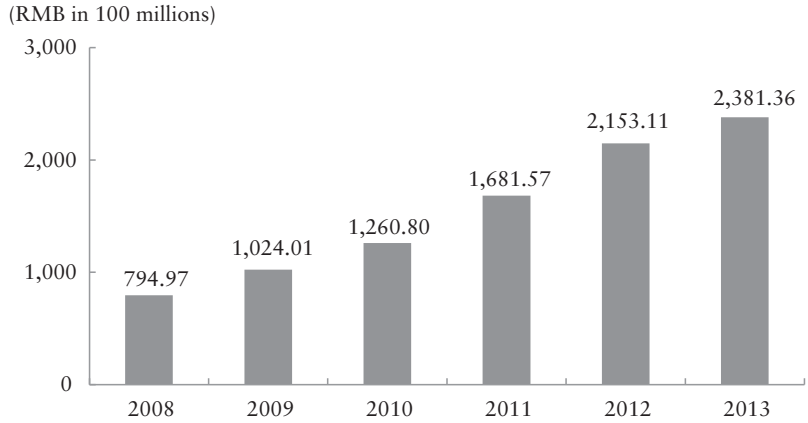


Source: SME Research

Market Size and Growth Rate of the PRC Biological Products Market

According to SME Research, the aggregate revenues from the sales of biological products industry in China grew from RMB79.5 billion in 2008 to RMB238.1 billion in 2013, representing a CAGR of 24.5%.

The following chart illustrates the historical sales revenues of the biological products industry in China for the periods indicated:



Source: SME Research

Driving Forces for the Growth in the PRC Medical Devices, Chemical Drugs and Biological Products Markets

Steady growth of GDP and disposable income

According to the PRC National Statistics Bureau, China's GDP grew steadily from RMB31,404.5 billion in 2008 to RMB56,884.5 billion in 2013 and GDP per capita also grew from RMB23,648 in 2008 to RMB41,805 in 2013. In addition, the disposable income per capita for urban population and rural population in the PRC were also on an upward trend. According to the PRC National

Statistics Bureau, from 2008 to 2013, the average per capita annual disposable income of China's urban residents increased from RMB15,781 to RMB26,955, representing a CAGR of 11.3%, while the average per capita annual net income of China's rural residents increased from RMB4,761 to RMB8,896, representing a CAGR of 13.3%. We believe that increased disposable income has enhanced people's ability and willingness to pay for better medical devices, chemical drugs and biological products.

Aging population and the prevalence of chronic health problems

According to the National Bureau of Statistics of China, the proportion of the population aged 60 and above in the PRC has increased from 12.0%, or approximately 159.9 million, in 2008 to 14.9%, or approximately 202.4 million, in 2013. In addition, according to MOH, the average life expectancy for males and females in the PRC increased from 66.9 years to 71.3 years and from 70.5 years to 75.9 years between 1990 and 2010, respectively. The growth of the PRC's population aged 60 and above is expected to continue. Population growth, coupled with an increasing aging population and an increase in average life expectancy, is expected to lead to rapid growth in the markets for medical devices, chemical drugs and biological products, especially for chronic health problems.

Expansion of medical insurance coverage

The medical insurance program for PRC nationals provided by the government largely consists of three major components, supplemented by several smaller schemes to ensure wide coverage of the population. The three major components are (i) the urban worker basic medical insurance program (城鎮職工基本醫療保險), a mandatory scheme covering urban workers and their minor children, (ii) the urban resident basic medical insurance program (城鎮居民基本醫療保險), a voluntary program that covers the rest of the urban residents not covered by the urban worker program, and (iii) the new rural cooperative medical insurance scheme (新農村合作醫療保險), a voluntary scheme that provides medical coverage for the rural population. There are also other relatively smaller schemes such as those for migrant workers who cannot obtain coverage otherwise.

According to SME Research, the number of PRC residents covered by the national medical insurance program grew from 1.23 billion in 2009, representing 94% of the total registered population in China, to 1.37 billion in 2013, representing 100% of the total registered population in China. In addition, the PRC government spent RMB820.9 billion on medical and health industry in 2013, accounting for approximately 5.9% of the total governmental spending in the same year. According to MOH, the proportion of governmental spending on medical and health industry is expected to increase to 8.0% and 11.0%, respectively, of the total governmental spending in 2015 and 2020. The medical devices, chemical drugs and biological products markets in China are expected to benefit from the expanding coverage of the medical insurance and the increasing governmental spending.

Government support for the industry

The PRC government proposed in the Outline of the Twelfth Five-Year Plan for the National Economy and Social Development of the People's Republic of China (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 "Twelfth Five-Year Plan") that more resources would be allocated for the population in rural and sub-urban areas. In particular, the PRC government intended to improve social medical insurance program by expanding its coverage and increasing the benefit amounts under such program and to increase the number of community medical centers and clinics.

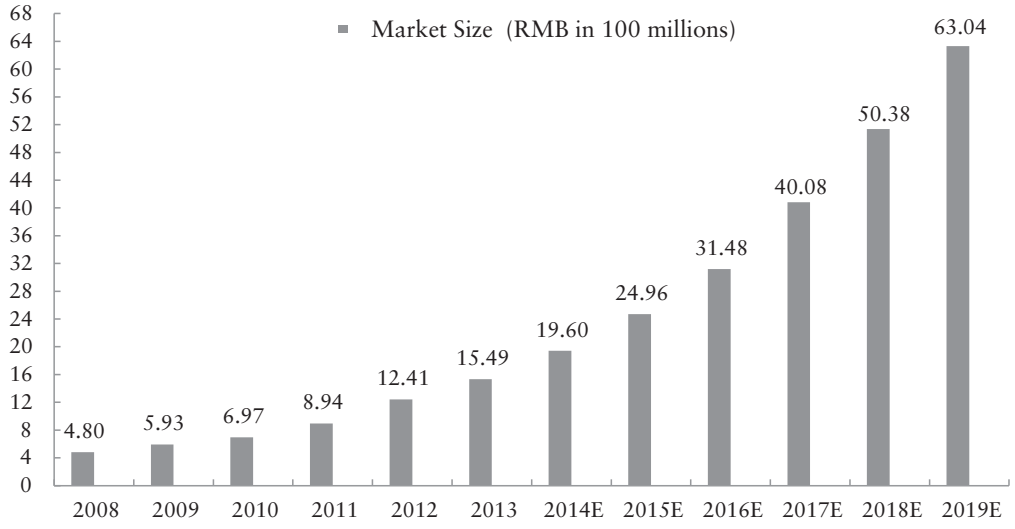
In August 2012, MOH released a new report with an updated plan called "Healthy China 2020", which is designed specifically to provide a strategic reform roadmap for the PRC healthcare industry. The "Healthy China 2020" report sets forth ten specific targets to be achieved before 2020, including, further increase of investments in the healthcare industry, so that healthcare expenditure will account for 6.5% to 7% of total GDP of PRC.

ORTHOPEDIC INTRA-ARTICULAR VISCOSUPPLEMENT (骨關節腔粘彈補充劑) MARKET IN CHINA

Market Size and Growth Rate of the PRC Orthopedic Intra-Articular Viscosupplement Market

According to SME Research, the PRC orthopedic intra-articular viscosupplement market grew from RMB480 million in 2008 to RMB1,549 million in 2013, representing a CAGR of 26.4%. SME Research estimates that the market will grow to RMB6,304 million in 2019, representing a CAGR of 26.3% from 2014 to 2019.

The following chart illustrates the historical and forecast market size of the orthopedic intra-articular viscosupplement market in China for the periods indicated:



Source: SME Research

Growth Drivers of the PRC Orthopedic Intra-Articular Viscosupplement Market

- *Increase of the aging population.* The prevalence of chronic health problems is increasing along with the growth of the PRC's aging population. According to SME Research, osteoarthritis affects approximately 68% of seniors aged 65 and above. SME Research estimates that the number of adults suffering from the osteoarthritis reached approximately 85 million in 2013 in China. SME Research further estimates approximately 10% of such patients would use orthopedic intra-articular viscosupplement in the treatment, which leads to a potential market of RMB8.5 billion, which represents significant market penetration opportunities comparing with current market size of RMB1.5 billion in 2013.
- *Government supports.* In recent years, more and more attention and resources of the government are allocated for the treatment of orthopedic diseases. In 2010, MOH selected May 26 each year as the bone protection date to promote the prevention, protection and medical treatment of orthopedic diseases.
- *Effectiveness of the orthopedic intra-articular viscosupplement.* According to SME Research, the injection of orthopedic intra-articular viscosupplement has been proven to be an effective and safe treatment for osteoarthritis, and its side effects are controllable.

Market Share of the PRC Orthopedic Intra-Articular Viscosupplement Market

According to SME Research, the PRC orthopedic intra-articular viscosupplement market is predominated by a few market players. The top three manufacturers accounted for 83.0% of the total PRC orthopedic intra-articular viscosupplement market in 2013 in terms of sales.

The following table illustrates the market share information of the orthopedic intra-articular viscosupplement market in China for the periods indicated:

Manufacturers	Market Share (%)					
	2008	2009	2010	2011	2012	2013
Shandong Bausch & Lomb Freda Pharmaceutical Co., Ltd. (山東博士倫福瑞達製藥有限公司)	47.7	45.4	38.9	34.2	29.9	29.6
Shanghai Haohai Biological Technology Co., Ltd. (上海昊海生物科技股份有限公司)	15.2	14.8	16.5	18.7	26.8	29.4
Shanghai Jingfeng Pharmaceutical Co., Ltd. (上海景峰製藥股份有限公司)	17.5	18.4	21.0	24.9	23.6	24.0
SEIKAGAKU Corporation (日本生化學工業株式會社)	19.6	21.4	23.7	22.2	19.7	17.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: SME Research

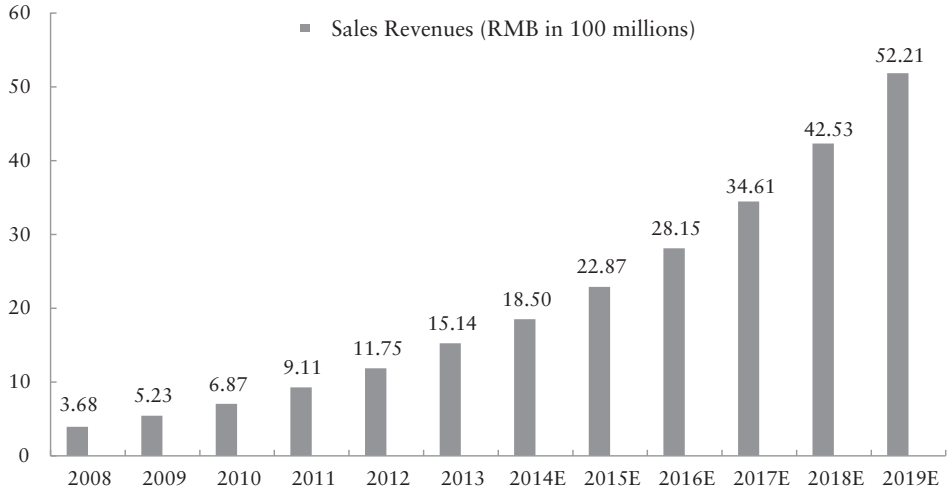
Note: The market share is calculated in terms of sales to end users. Sales of enterprises with relatively small scale are not included.

POST-OPERATIVE ANTI-ADHESION (手術防粘連劑) MARKET IN CHINA

Market Size and Growth Rate of the PRC Post-operative Anti-adhesion Market

According to SME Research, the PRC post-operative anti-adhesion market (consisting of medical sodium hyaluronate, medical chitosan and other anti-adhesion products) grew from RMB368 million in 2008 to RMB1,514 million in 2013, representing a CAGR of 32.7%. SME Research estimates that the market will grow to RMB5,221 million in 2019, representing a CAGR of 23.1% from 2014 to 2019.

The following chart illustrates the historical market size of the post-operative anti-adhesion market in China for the periods indicated:



Source: SME Research

Note: The market size is calculated in terms of sales to end users.

Growth Drivers of the PRC Post-operative Anti-adhesion Market

- *Increased volume of surgery*. In addition to the factors generally affecting China's medical device and biopharmaceutical markets, the rapid growth of the volume of surgery also fueled the growth of the PRC anti-adhesion market. SME Research estimates that the total number of surgery operations for in-patient in China will reach 44 million in 2014, 3.6 million of which need to use the post-operative anti-adhesion. However, the manufacturers in China are only able to supply the post-operative anti-adhesion required for approximately 1.5 million to 2 million surgery operations per annum due to the limited production capacity, which indicates the huge market potential for the post-operative anti-adhesion.
- *Increasing awareness*. In China, due to the lack of clinical experience, post-operative anti-adhesion products are not largely applied. The insufficient supporting clinical data in China has dampened the willingness of doctors to accept such products. However, with intensified promotion in medical professional society, more and more domestic doctors in China have recognized that using post-operative anti-adhesion as a spacer is an effective and safe therapeutic approach to prevent adhesions, which has facilitated the market growth for post-operative anti-adhesion products.

Market Share of the PRC Post-operative Anti-adhesion Market

According to SME Research, we are a leading manufacturer in the PRC post-operative anti-adhesion market. In particular, our Company accounted for more than 50% of the total PRC market for medical chitosan (醫用幾丁糖) and medical sodium hyaluronate gel (醫用透明質酸鈉凝膠) in terms of the sales in each year from 2008 to 2013.

The following table illustrates the market share information of the post-operative anti-adhesion market in China for the periods indicated:

Manufacturers	Market Share (%)					
	2008	2009	2010	2011	2012	2013
Shanghai Haohai Biological Technology Co., Ltd. (上海昊海生物科技股份有限公司)	53.0	57.9	58.0	56.8	55.1	50.4
Shijiazhuang Yishengtang Medical Supplies Ltd. (石家莊億生堂醫用品有限公司)	14.7	12.8	12.1	12.4	13.7	16.8
Hangzhou Singclean Medical Products Co., Ltd. (杭州協合醫療用品有限公司)	14.1	15.7	15.9	15.4	14.7	14.7
Others	18.2	13.6	14.0	15.4	16.5	18.1
Totals	100.0	100.0	100.0	100.0	100.0	100.0

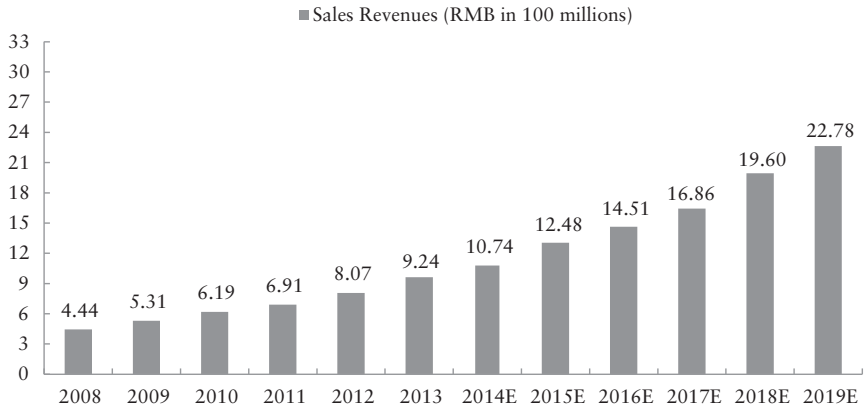
Source: SME Research

OPHTHALMIC VISCOELASTIC (眼科黏彈劑) MARKET IN CHINA

Market Size and Growth Rate of the PRC Ophthalmic Viscoelastic Market

According to SME Research, the PRC ophthalmic viscoelastic market grew from RMB444 million in 2008 to RMB924 million in 2013, representing a CAGR of 15.8%. SME Research estimates that the market will grow to RMB2,278 million in 2019, representing a CAGR of 16.2% from 2014 to 2019.

The following chart illustrates the historical and forecast market size of the ophthalmic viscoelastic market in China for the periods indicated:



Source: SME Research

Note: The market size is calculated in terms of sales to end users.

Growth Drivers of the PRC Ophthalmic Viscoelastic Market

- *Increase of aging population.* According to SME Research, the increasing aging population have led to rapid growth in cataract and cataract surgical rate. The prevalence of age-related cataract has increased significantly. For example, the cataract affects 60% to 70% of people aged from 50 to 60 years old, while it affects as high as 80% of people over 70 years old. The increasing cataract and cataract surgical rates indicate the huge market potential for the PRC ophthalmic viscoelastic market.
- *Government support.* In 2010, PRC Government has implemented the Prevention of Blindness Project for Millions of Poor Cataract Patients to conduct free cataract surgeries for a million cataract patients. On August 2, 2012, the MOH issued a notice to continue the implementation of the Prevention of Blindness Project for Millions of Poor Cataract Patients during Twelfth Five-Year Plan period.
- *Effectiveness of cataract surgery.* Cataract surgery has been proven to be an effective treatment for cataract based on current clinical efficacy and safety analysis. The development of technology and the improvement of quality for ophthalmic viscoelastic products also facilitated the increases of the use of ophthalmic viscoelastic. Along with the increase of medical insurance coverage in China as well as the improved awareness of cataract surgery by the public and stronger governmental supports for cataract surgery, more and more cataract patients will receive cataract surgery, thereby promoting the growth in ophthalmic viscoelastic market.

Market Share of the PRC Ophthalmic Viscoelastic Market

According to SME Research, we are a leading manufacturer in the PRC ophthalmic viscoelastic market. In particular, our Company accounted for more than one third of the PRC ophthalmic viscoelastic market in terms of the sales in each year from 2008 to 2013.

The following table illustrates the market share information of the ophthalmic viscoelastic market in China for the periods indicated.

Manufacturers	Market Share (%)					
	2008	2009	2010	2011	2012	2013
Shanghai Haohai Biological Technology Co., Ltd. (上海昊海生物科技股份有限公司)	38.1	45.2	46.7	43.5	42.2	39.6
AMO Uppsala AB	23.4	18.1	17.1	18.0	17.8	17.5
Shandong Bausch & Lomb Freda Pharmaceutical Co., Ltd. (山東博士倫福瑞達製藥有限公司)	10.1	12.2	13.4	14.0	14.4	16.1
LG Life Sciences, Ltd	11.5	8.1	7.8	8.2	8.1	8.5
Others	16.9	16.4	15.0	16.3	17.5	18.3
Totals	100.0	100.0	100.0	100.0	100.0	100.0

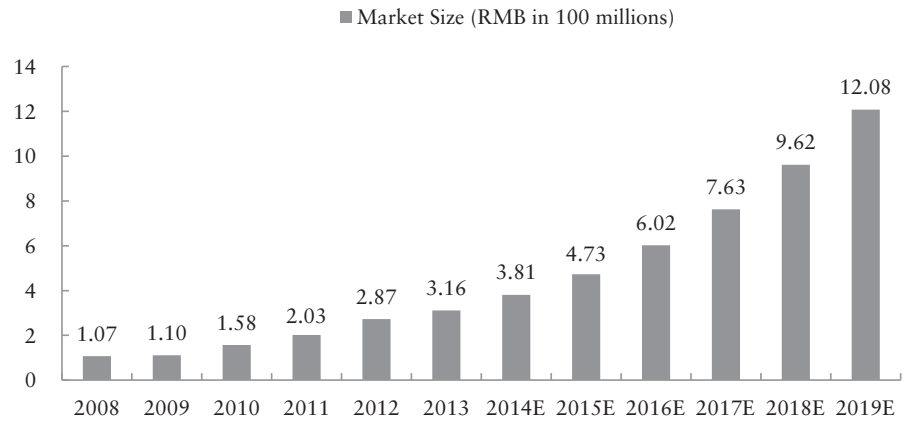
Source: SME Research

rhEGF (外用重組人表皮生長因子) MARKET IN CHINA

Market Size and Growth Rate of the PRC rhEGF Market

The PRC rhEGF market has been growing steadily in recent years. According to SME Research, the PRC rhEGF market grew from RMB107 million in 2008 to RMB316 million in 2013, representing a CAGR of 24.2%. SME Research estimates that the market will grow to RMB1,208 million in 2019, representing a CAGR of 26.0% from 2014 to 2019.

The following chart illustrates the historical and forecast market size of the rhEGF market in China for the periods indicated:



Source: SME Research
Note: The market size is calculated in terms of sales to end users.

Growth Drivers of the PRC rhEGF Market

- *Wide application.* rhEGF is an effective product for curing damaged human epidermal. Compared to other cytokines, rhEGF enjoys a higher stability due to its acid resistance and thermoresistance nature and thus can be made into various biopharmaceutical products. It can be used not only in different surgical wounds caused by ulcer, bedsore and burns, but also in a broad application such as ophthalmology cornea transplant and repair, and diabetic foot.

rhEGF is also an effective product for improving the conditions of human epidermal after the freckle-removing treatment. According to SME Research, the number of patients receiving orthopedic surgery increases at a rate of 20% per year, and the total number of persons for cosmetology consumption reached 300 million in recent two years. The rhEGF product is expected to benefit from the continuous growth of its user population.

- *Government regulation*. China has been increasing its regulation over the plastic surgery industry, an important application area of rhEGF. The enhanced regulation assists the promotion of qualified products and exclusion of non-GMP certified competitors. In China, the development of rhEGF market is also affected by lack of clinical education and applications for epidermal growth factor fermented from genetic engineering.

Market Share of the PRC rhEGF Market

According to SME Research, the PRC rhEGF market is predominated by a few market players. The following table illustrates the market share information of the PRC rhEGF market for the periods indicated.

Manufacturer	Market Share (%)					
	2008	2009	2010	2011	2012	2013
Guilin Pavay Gene Pharmaceutical Co., Ltd. (廣西桂林華諾威基因藥業有限公司)	54.2	60.0	70.3	81.8	76.7	73.4
Shenzhen Watsin Genetech Co., Ltd. (深圳華生元基因工程發展有限公司)	44.9	39.1	26.0	15.3	16.0	15.5
Shanghai Haohai Biological Technology Co., Ltd. (上海昊海生物科技股份有限公司)	0.9	0.9	3.8	3.0	7.3	11.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: SME Research

HISTORICAL PRICE TRENDS OF RAW MATERIALS

The principal raw materials used for our production include glass syringes (mainly 2.25ml and 3ml), HA powder (mainly HA fine powder) and alcohol. The following table sets forth the average prices of our principal raw materials paid by the Group during the Track Record Period:

	Year ended December 31,		
	2012	2013	2014
	RMB	RMB	RMB
3 ml Glass syringe (piece)	2.59	2.77	2.76
2.25 ml Glass syringe (piece)	3.40	3.21	3.17
HA fine powder (gram)	145.20	162.29	180.00
Alcohol (kg)	6.52	6.32	6.36

During the Track Record Period, the prices of glass syringes and alcohol purchased by the Group remained relatively stable. The fluctuation of our average purchase prices of glass syringes primarily reflected the promotional activities conducted by our glass syringes suppliers. HA powder comprises of HA rough powder and HA fine powder. The prices of HA fine powder procured by our Group increased gradually each year during the Track Record Period but such increase did not have any material impact on the prices of the final products of the Group as the cost of HA fine powder constituted less than 10% of the overall costs of the final products of the Group during the Track Record Period.

PRC REGULATORY FRAMEWORK IN RELATION TO THE PHARMACEUTICAL INDUSTRY

Our products are subject to regulatory controls governing pharmaceutical products and medical devices. So we are subject to regulation and oversight by different levels of the food and drug administration in the PRC, in particular, CFDA. The Pharmaceutical Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》), as amended on December 28, 2013, provides the basic legal framework for the administration of the production and sale of pharmaceutical products in China and covers the manufacturing, distributing, packaging, pricing and advertising of pharmaceutical products in China. Its implementation regulations set out detailed implementation rules with respect to the administration of pharmaceutical products in China.

We are also subject to other PRC laws and regulations that regulate the manufacturing, distribution of pharmaceutical products and medical devices, as well as commercial franchising activities.

Principal administrative authorities

The principal administrative authorities with respect to the pharmaceutical industry mainly include CFDA, NHFPC, NDRC and the Ministry of Commerce of the PRC (中華人民共和國商務部) ("MOFCOM").

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

MOH is a ministerial department under the direct supervision of the State Council. MOH performs a variety of regulatory roles in relation to drug administration, including, without limitation, carrying out healthcare system reform, formulating and implementing the National Essential Drugs System, formulating the National Drug Code and the National List of Essential Drugs, proposing pricing policies for National Essential Drugs, and supervising healthcare institutions.

The NDRC is responsible for the macro-guidance and management of the healthcare industry's development planning, technological upgrading, approval of investment programs and the economic operation status of the medical enterprises, the supervision and management over the price of medicines and formulating the national unified retail price for certain drugs falling under the National Medical Insurance Catalogue and for drugs the production and distribution of which are monopolized.

The MOFCOM is the competent authority of the pharmaceutical wholesale sector in China. It is responsible for formulating plans, policies and standards concerning the development of the pharmaceutical distribution industry; enhancing the structure readjustment of the pharmaceutical distribution industry; guiding the reform of the pharmaceutical distribution industry; and promoting the development of a modern pharmaceutical distribution industry in China.

In order to engage in either the manufacture or distribution of pharmaceutical products in the PRC, and enterprise must comply with the laws and regulations in association with pharmaceutical products, and obtain permits, licenses, registration from relevant competent authorities.

PRC LAWS AND REGULATIONS RELATING TO THE MANUFACTURING OF PHARMACEUTICAL PRODUCTS

Manufacturers of pharmaceutical products in the PRC must obtain a variety of permits, licenses and registrations before commencing operations and production. These include a business license, a pharmaceutical production license, a GMP certification, and medicine approval and registration documents.

Pharmaceutical Production License and Business Licence

According to Pharmaceutical Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》), effective on December 1, 2001 and amended on December 28, 2013, no pharmaceuticals shall be produced without a pharmaceutical production license. A manufacturer of pharmaceutical products must obtain a pharmaceutical production license from the provincial level food and drug administration of the PRC government in order to commence with the pharmaceutical manufacturer. The grant of such license is subject to an inspection of the manufacturing facilities, and a finding that their sanitary condition, quality assurance systems, management structure and equipment meet the required standards. According to the Regulations of Implementation of the Law of the People's Republic of China on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法實施條例》) effective on September 15, 2002, this license is valid for five years and application for renewal shall be made at least six months prior to its expiration date upon a re-examination by the relevant authority.

In addition, before commencing business, a pharmaceutical manufacturer must also obtain a business license from the relevant administration for industry and commerce.

Good Manufacturing Practices or GMP

A manufacturer of pharmaceutical products and pharmaceutical materials must obtain GMP certification to produce pharmaceutical products and pharmaceutical materials in China. The Administrative Measures Governing the Production Quality of Pharmaceutical Products (《藥品生產質量管理規範》) (the "Administrative Measures for Production") provides detailed guidelines on practices governing the production of pharmaceutical products. A GMP certification certifies that a manufacturer's factory has met certain criteria in the Administrative Measures for Production, which include: institution and staff qualifications, production premises and facilities, equipment, hygiene conditions, production management, quality controls, product operation, maintenance of sales records and manner of handling customer complaints and adverse reaction reports.

According to 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》), effective on August 2, 2011, a manufacturer of pharmaceutical products shall reapply for the GMP certification six months prior to its expiration date.

CONTINUING SUPERVISION BY CFDA

A manufacturer of pharmaceutical products is subject to periodic inspection and safety monitoring by CFDA to determine its compliance with regulatory requirements. CFDA has a variety of enforcement actions available to enforce its regulations and rules, such as fines and injunctions, recalls or seizure of products, imposition of operating restrictions, partial suspension or complete shutdown of production and transfer to the relevant authority for criminal investigation.

PRC LAWS AND REGULATIONS RELATING TO THE REGISTRATION OF PHARMACEUTICAL PRODUCTS

Registration of new Drugs

In accordance with the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》) (the "Measures for Drug Registration"), effective on October 1, 2007, application for new drugs refers to application for registration of drugs that have not been marketed in China. Application for changing dosage form or route of administration, or claiming a new indication for marketed drugs, shall be submitted as a new drug application.

All new drug applications must undergo four phases before launch: pre-clinical research, phase I clinical trial (preliminary pharmacology and human safety evaluation trials), phase II clinical trial (a preliminary exploration on the therapeutic efficacy), and phase III clinical trial (confirmation of the therapeutic efficacy). After the new drug is launched, a phase IV clinical trial is conducted to assess the product's efficacy and adverse reactions when widely used.

Upon completion of the pre-clinical research, new drug applicants must obtain approval from CFDA prior to commencing clinical trials. Application materials must first be submitted to CFDA at the provincial level. Upon receipt of the application, CFDA at the provincial level will review the applicant's submission and conduct on-site inspections. CFDA at the provincial level will then submit its inspection opinion and report, as well as the application materials to CFDA. If the drug to be registered is a biological product, sample drugs must be examined by the drug inspection bureau, which will provide a verification report to CFDA. Upon receipt of the above materials, CFDA will conduct both technical and non-technical reviews of the application to decide whether to grant an approval for drug clinical trials.

After completion of the clinical trials, the applicant shall fill in the form of application for drug registration and submit its application materials to CFDA at the provincial level and the National Institute for the Control of Pharmaceutical and Biological Products. CFDA at the provincial level will conduct on-site inspections and preliminary review of the application materials. For drugs other than biological products, sample drugs must be taken for verification by the drug inspection bureau. After their inspections and assessment of the application, CFDA at the provincial level and the drug inspection bureau will report to CFDA, which will conduct a final assessment to consider whether an approval for registration of the new drug shall be granted. If approved, the applicant will be granted a new drug certificate and a drug approval number and may commence mass production of the new drug.

To protect public health, CFDA may set an observation period of up to five years in respect of any new drug approved for production. During the observation period, the drug manufacturer shall investigate the manufacturing processes, qualify, stability, therapeutic effect and adverse reactions etc. of the new drug and report annually to CFDA at the provincial level. CFDA shall not approve other manufacturers to produce, change dosage form of or import the drug during the monitoring period.

In accordance with Provisions on the Administration of Special Examination and Approval of Registration of New Drugs (《新藥註冊特殊審批管理規定》), effective on January 7, 2009, a new drug application that meets certain requirements as specified below will be handled with priority in the review and approval process. In addition, the applicant is entitled to provide additional materials during the review period besides those requested by CFDA, and will have access to enhanced communication channels with CFDA.

Applicants for the registration of the following new drugs are entitled to request for priority treatment in review and approval: (1) effective components extracted from the plants, animals, minerals and other materials the preparations thereof that have not been marketed within China, and newly discovered drug materials and the preparations thereof; (2) chemical drug substances and the preparations thereof that have not been approved for marketing in China or abroad; (3) new drugs for the treatment of diseases such as AIDS, malignant tumors and rare diseases, etc. with significant clinical advantage; and (4) new drugs for the treatment of diseases, for which effective therapeutic methods are not available. Some applications for Class I New Chemical Drugs may fall within the above categories and therefore may be eligible for priority treatment by CFDA in the review and approval process.

Registration of Generic Drugs

In accordance with the Measures for Drug Registration, application for generic drugs refers to the registration application for producing drugs that have been approved by CFDA to be marketed in China and have existing national standard for production. Pharmaceutical manufacturers are required to register their generic drugs in the form of application for recognition of compliance with national standards before commencement of manufacturing of such products.

To apply for approval to manufacture a drug with existing national standards, the applicant must submit, among other things, relevant information prepared in accordance with the relevant national standards to CFDA at the provincial level, which will then review the applicant's submission and conduct on-site inspection. Three consecutive production batches of drug samples will be collected from the applicant's production site for examination by the drug inspection bureau appointed by CFDA. After the preliminary review, CFDA at the provincial level and the drug inspection bureau will then submit the relevant materials and inspection report to CFDA, which will conduct a final assessment of the application to consider whether an approval should be granted. If approved, the applicant will be granted a drug approval number or an approval for drug clinical trials. After completing drug clinical trials, the applicant shall submit clinical trial data to CFDA. CFDA shall issue a drug approval number or a disapproval notice based on the technical review opinions.

Supplemental application

Supplementary application refers to application for variation, addition, or cancellation of the items or contents approved in the original application for new pharmaceutical products, generic drug. Where changes or modifications are proposed to a registered medicine in respect of, among other things, its drug standard, curative effects or production technology, the pharmaceutical enterprise which is the applicant or holder of relevant registration certificate for such medicine is required to apply to the provincial level drug administration authority or CFDA.

Re-Registration

An approval number for medicine issued by CFDA is valid for five years and may be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority.

PRC LAWS AND REGULATIONS RELATING TO DISTRIBUTION OF PHARMACEUTICAL PRODUCTS

A distributor of pharmaceutical products and medical devices must obtain a variety of permits and licenses before commencing its operations. These include a business license, a pharmaceutical operation permit, a GSP certificate and a medical device operation permit.

Pharmaceutical Operation Permit and Business Licence

The establishment of a wholesale or retail pharmaceutical distribution company requires the approval of CFDA of the provincial level. Upon approval, the authority will grant a pharmaceutical operation permit. According to The Measures for the Administration of Pharmaceutical Operation Permit (《藥品經營許可證管理辦法》), the pharmaceutical operation permit is valid for five years and may be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority.

In addition, before commencing business, a wholesale or retail pharmaceutical distribution company must also obtain a business license from the relevant administration for industry and commerce.

GOOD SUPPLY PRACTICES OR GSP

Each retail or wholesale operator of pharmaceutical products is required to obtain a GSP certificate from CFDA. According to Administrative Measures for Certification of Good Supply Practices (《藥品經營質量管理規範認證管理辦法》) (the "GSP"), promulgated on April 24, 2003, and Administrative Measures Governing the Supply Quality of Pharmaceutical Products (《藥品經營質量管理規範》), promulgated on July 1, 2000 and amended on June 1, 2013, the GSP certificate is valid for five years and may be renewed three months' prior to its expiration date upon a re-examination by the relevant authority.

PRC LAWS AND REGULATIONS RELATING TO COMMERCIAL BRIBERIES WITH RESPECT TO PHARMACEUTICAL INDUSTRY

Medical production and operation enterprises involved in criminal, investigation or administrative procedure for commercial bribery shall be listed into the adverse records of commercial briberies by provincial health and family planning administrative department. Pursuant to the Provisions on the Establishment of Adverse Records of Commercial Briberies in the Medicine Purchase and Sales Industry (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》) enforced on March 1, 2014 by the NHFPC, if medical production and operation enterprises be listed into the adverse records of commercial briberies for the first time, their production shall not be purchased by public medical

institutions, and medical and health institutions receiving financial subsidies in local province in 2 years from public of the record, and public medical institution, and medical and health institutions receiving financial subsidies in other province shall lower their rating in bidding or purchasing process. If medical production and operation enterprises be listed into the adverse records of commercial briberies twice or more times in 5 years, their production shall not be purchased by public medical institutions, and medical and health institutions receiving financial subsidies nationwide in 2 years from public of the record.

PRC LAWS AND REGULATIONS RELATING TO THE MEDICAL DEVICE OPERATION

In accordance with the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), which became effective on April 1, 2000 and was amended on March 7, 2014 (with the amendments becoming effective on June 1, 2014), the PRC conducts the classification administration of medical devices according to their risk levels. Medical devices of Class I means the medical devices with low risks, whose safety and effectiveness can be ensured through routine administration. Medical devices of Class II means the medical devices with moderate risks, which shall be strictly controlled and administered to ensure their safety and effectiveness. Medical devices of Class III means the medical devices with relatively high risks, which shall be strictly controlled and administered through special measures to ensure their safety and effectiveness.

The evaluation of the risk levels of medical devices shall take consideration of the expected objectives, structural features, use methods and other factors of medical devices. The food and drug supervision and administration department of the State Council shall be responsible for formulating the classification rules for and the classified catalogues of medical devices, and, according to the information on the production, operation and use of medical devices, timely analyzing and evaluating the risk changes of medical devices, and adjusting the classified catalogues; and shall formulate and adjust the classified catalogues, fully listen to the opinions of the production and operation enterprises, use entities and industry organizations of medical devices, and, conduct the classified practices by reference to those for international medical devices. The classified catalogues of medical devices shall be announced to the general public.

The medical device products shall satisfy the national compulsory standards for medical devices, and, if no such standard is available, meet the compulsory industry standards for medical devices. The catalogue of single-use medical devices shall be formulated, adjusted and published by the food and drug supervision and administration department of the State Council jointly with the administrative department of health and family planning of the State Council. The medical devices whose safety and effectiveness can be ensured when being reused shall not be listed in the catalogue of single-use medical devices. The medical devices whose safety and effectiveness can be ensured when being reused due to the improvements in designs, production technologies, disinfection and sterilization technologies, etc. shall be removed from the catalogue of single-use medical devices.

In accordance with the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), the PRC has a registration and recordation system for medical device products. The medical devices of Class I shall be subject to the product recordation administration, and the medial devices of Class II and Class III shall be subject to the product registration administration. For the recordation of the medical device products of Class I, the parties undergoing

recordation of medical devices shall submit the recordation materials to the food and drug supervision and administration departments of the local people's government at the districted city level. To apply for the registration of the medical device products of Class II, registration applicants shall submit the registration application materials to the food and drug supervision and administration departments of the people's governments of the provinces, autonomous regions or municipality directly under the PRC central government where such applicants are located. To apply for the registration of the medical device products of Class III, registration applicants shall submit the registration application materials to the food and drug supervision and administration department of the State Council. The medical devices which meet the safety and effectiveness requirements shall be approved to be registered, and the medical device registration certificates shall be issued thereto, and a medical device registration certificate shall be valid for five years. If the registration of a medical device registration certificate needs to be renewed upon the expiration of its validity period, an application for registration renewal shall be filed with the original registration department six months before the validity period expires.

In case of any substantial change of the designs, raw materials, production technologies, scopes of application and application methods, etc., of the registered medical device products of Class II or Class III, which may affect the safety and effectiveness of such medical devices, the registrants shall apply to the original registration departments for undergoing the formalities for registration modification. In case of any non-substantial change thereof, which do not affect the safety and effectiveness of such medical devices, the information on the change shall be reported to the original registration departments for recordation.

Clinical trials are not required for the recordation of the medical devices of Class I, but necessary for the application for the registration of the medical devices of Class II and Class III. However, medical devices may be exempt from clinical trials under any of the following circumstances:

- The same categories of the marketed medical devices with clear and definite working mechanisms, finalized designs and mature production technologies have been put into clinical application for years, with no record of severely adverse event and with their general purposes unchanged.
- The safety and effectiveness of such medical devices can be proved through non-clinical evaluation
- The safety and effectiveness of such medical devices can be proved through the analysis and evaluation of the data obtained from the clinical trials or clinical application of the same categories of medical devices.

The clinical trials of medical devices shall be conducted in qualified clinical trial institutions in accordance with the requirements of the quality management norms for the clinical trials of medical devices, and be reported for recordation to the food and drug supervision and administration departments of the people's governments of the provinces, autonomous regions or municipalities directly under the PRC central government where the clinical trial presenters are located. The medical devices of Class III which may pose relatively high risks to human bodies according to the clinical trials thereof shall be approved by the food and drug supervision and administration department of the State Council.

Production of Medical Devices

In accordance with the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), the PRC has a recordation and licensing system for production of medical devices.

The enterprises engaging in the production of the medical devices of Class I shall report themselves to the drug supervision and administration departments of the local people's governments at the districted city level for recordation. The enterprises engaging in the production of the medical devices of Class II and Class III shall apply for production licenses to the food and drug supervision and administration departments of the local people's governments of the provinces, autonomous regions or municipalities directly under the PRC central government. The food and drug supervision and administration departments accepting production licenses shall review the application materials within 30 working days from the dates of acceptance of applications, and conduct verification in accordance with the requirements of the quality management norms for the production of medical devices. For those meeting the conditions as prescribed, permission shall be granted, and the medical device production licenses shall be issued thereto, and a medical device production license shall be valid for five years. If a medical device production license needs to be renewed upon the expiration of its validity period, the renewal formalities shall be handled in accordance with the relevant legal provisions on administrative licensing.

Inspection on the Production and Quality Management System of Sterile Medical Devices

According to Standards on Production and Quality Management of Medical Devices (《醫療器械生產質量管理規範》) and Standards on Production and Quality Management of Medical Devices with Implementing Rules for Sterile Medical Devices (for Trial Implementation)(《醫療器械生產質量管理規範無菌醫療器械實施細則(試行)》), both of which became effective on March 1, 2015 and January 1, 2011, respectively, from July 1, 2011, when apply for initial registration and re-registration for sterile medical devices, the enterprises shall submit the Notice of Inspection Results regarding Standards on Production and Quality Management of Medical Devices(《醫療器械生產質量管理規範檢查通知書》), showing the results being qualified in inspection.

Distribution of Medical Devices

In accordance with the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), which became effective on April 1, 2000 and was amended on March 7, 2014 (with the amendments becoming effective on June 1, 2014), an enterprise engaged in distribution of Class II medical devices must keep a record with the municipal level food and drug administration, and an enterprise engaged in distribution of Class III medical devices must apply to the municipal level food and drug administration for an operation permit. An operation permit is valid for five years and shall be renewed prior to its expiration date.

PRC LAWS AND REGULATIONS RELATING TO THE IMPORT OF PHARMACEUTICAL PRODUCTS

Under the Measures for the Administration of Pharmaceutical Product Import (《藥品進口管理辦法》), an enterprise that imports pharmaceutical products is required to report to the local Food and Drug Administration which has jurisdiction over the import port before proceeding to custom clearance. And a port inspection is also compulsory prior to import into China.

PRC LAWS AND REGULATIONS RELATING TO THE PROTECTION OF PHARMACEUTICAL PRODUCTS

Protection under Patent Law

The PRC first allowed patents for the protection of proprietary rights as set forth in the PRC Patent Law (《中華人民共和國專利法》). Pharmaceutical inventions became patentable after the PRC Patent Law was amended on January 1, 1993. Our patents include two categories. The term "invention" refers to any new technical solution relating to a product, a process or an improvement thereof. The term "utility model" refers to any new technical solution relating to a product's shape, structure, or a combination thereof, which is fit for practical use. Patents relating to pharmaceutical inventions are effective for 20 years from the initial date the patent application was filed. Under the PRC Patent Law, the term of patent protection starts from the date the patent was filed, instead of the date it was issued. Patents relating to utility-models and designs are effective for ten years from the initial date the patent application was filed. Existing patents can become invalid or unenforceable due to a number of factors, including known or unknown prior art, deficiencies in patent application, and lack of originality in technology.

Any persons and entities using the patent in the absence of authorization 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.

Protection under Trademark Law

The PRC Trademark Law (《中華人民共和國商標法》) was promulgated in 1982 (later amended on August 30, 2013), and the PRC Trademark Implementing Regulations (《中華人民共和國商標法實施條例》) were promulgated on August 3, 2002 and amended on April 29, 2014. These laws provide the basic legal framework for the regulation of trademarks in the PRC. The trademark office is responsible for the registration and administration of trademarks throughout the country. Like patents, the PRC has adopted a "first-to-file" principle with respect to trademarks. 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. The State Administration for Industry and Commerce has the power to investigate and handle any act of infringement of the exclusive right to use a registered trademark according to law; where the case is so serious as to constitute a crime, it shall be transferred to the judicial authority for handling.

PRC LAWS AND REGULATIONS RELATING TO THE NATIONAL MEDICAL INSURANCE PROGRAM AND PRICE CONTROLS OF PHARMACEUTICAL PRODUCTS

Reimbursement Under the National Medical Insurance Program

The national medical insurance program was adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee 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 December 14, 1998, under which all employers in urban cities are required to enroll their employees in the basic medical insurance program and the insurance premium is jointly contributed by the employers and employees. The State Council promulgated guiding opinions of the State Council about the Pilot Urban Resident

Basic Medical Insurance（國務院關於開展城鎮居民基本醫療保險試點的指導意見）on July 10, 2007, under which urban residents of the pilot district, rather than urban employees, may voluntarily join urban resident basic medical insurance. The State Council expected the pilot urban resident basic medical insurance to cover the whole nation by 2010.

According to SME Research, approximately 1,370 million people in China were enrolled in the national medical insurance program as of December 31, 2013. Participants of the national medical insurance program and their employers, if any, are required to contribute to the payment of insurance premium on a monthly basis. Program participants are eligible for full or partial reimbursement of the cost of medicines included in the Medical Insurance Catalogue. The Notice Regarding the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (《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 May 12, 1999, provides that a pharmaceutical product listed in the Medical Insurance Catalogue must be clinically needed, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must meet the following requirements:

- it is set forth in the Pharmacopoeia of the People's Republic of China;
- it meets the standards promulgated by CFDA; and
- if imported, it is approved by CFDA for import.

Factors that affect the inclusion of a pharmaceutical product in the Medical Insurance Catalogue include, whether the product is consumed in large volumes and commonly prescribed for clinical use in the PRC and whether it is considered to be important in meeting the basic healthcare needs of the general public.

The PRC Ministry of Labor and Social Security, together with other government authorities, has the power to determine the medicines included in the National Medical Insurance Catalogue, which is divided into two parts, Part A and Part B. Provincial governments are required to include all Part A medicines listed on the national Medical Insurance Catalogue in their provincial Medical Insurance Catalogue, but have the discretion to adjust upwards or downwards by no more than 15% from the number of Part B medicines listed in the national Medical Insurance Catalogue. As a result, the contents of Part B of the provincial Medical Insurance Catalogues may differ from region to region in the PRC.

Patients purchasing medicines included in Part A of the Medical Insurance Catalogue are entitled to reimbursement of the entire amount of the purchase price. Patients purchasing medicines included in Part B of the Medical Insurance Catalogue are required to pay certain percentage of the purchase price and obtain reimbursement for the remainder of the purchase price. The percentage of reimbursement for Part B medicines differs from region to region in the PRC.

The total amount of reimbursement for the cost of medicines, in addition to other medical expenses, for an individual participant under the national medical insurance program in a calendar year is capped at the amounts in such participant's individual account under such program. The amount in a participant's account varies, depending on the amount of contributions from the participant and his or her employer.

Price Controls

The retail price of certain pharmaceutical products sold in the PRC, primarily those pharmaceutical products included in the Medical Insurance Catalogues and those drugs the production or trading of which are deemed to constitute monopolies, are subject to price controls by the PRC government in the form of fixed retail prices or maximum retail prices.

Manufacturers and distributors cannot set the actual retail price for any given price-controlled product above the price ceiling or deviate from the fixed price set by the government. The retail prices of pharmaceutical products that are subject to price controls are administered by NDRC and provincial and regional price control authorities. From time to time, the NDRC publishes and updates a list of pharmaceutical products that are subject to price controls. Fixed prices ceilings on pharmaceutical products are determined based on profit margins that the relevant government authorities deem reasonable, the type and quality of the medicine, its production costs, the prices of substitute pharmaceutical products. The NDRC directly regulates the pricing of all prescription medicines on the Medical Insurance Catalogues, and delegates to provincial and regional price control authorities the authority to regulate the pricing of non-prescription medicines on the Medical Insurance Catalogues.

Further, pursuant to the Notice Regarding Further Improvement of the Order of Market Price of Pharmaceutical Products and Medical Services (《關於進一步整頓藥品和醫療服務市場價格秩序的意見》) jointly promulgated by the NDRC, the State Council Legislative Affairs Office and the State Council Office for Rectifying, the MOH, CFDA, the Ministry of Commerce of the People's Republic of China, the MOF and Ministry of Labor and Social Security on May 19, 2006, the PRC government exercises price control over pharmaceutical products included in the Medical Insurance Catalogues and made an overall adjustment of their prices by reducing the retail price of certain overpriced pharmaceutical products and increased the retail price of certain underpriced pharmaceutical products in demand for clinical use but that have not been produced in large quantities by manufacturers due to their low retail price level. In particular, the retail price charged by hospitals at the county level or above may not exceed 115% of the procurement cost of the relevant pharmaceutical products or 125% for Chinese herbal pieces.

The NDRC promulgated the Notice on Adjusting the Price of Some Pharmaceutical Products(including drugs used for treatment of respiratory disease, antipyretic and analgesic drugs and drugs with special treatment effect)and Related Issue (《國家發展改革委關於調整呼吸解熱鎮痛和專科特殊用藥等藥品價格及有關問題的通知》) on December 31, 2012 and that came into effect on February 1, 2013. The lists attached to the notice prescribed the retail price ceilings of pharmaceutical products that are subject to separate pricing or centralized pricing. The medical institutions, retail drugstores, drug manufacturers and drug supply enterprises shall not sell the pharmaceutical products at a price higher than the retail price ceilings. The price administration at the provincial level is authorized to determine retail price ceiling in its administration region for the drugs that are not subject to price control by the NDRC, and the retail price ceilings for the pharmaceutical products, of which the dosage forms or specifications were not included in the lists.

With respect to medicines that are not subject to price controls, the pharmaceutical manufacturers can freely determine the retail prices. Sales of pharmaceutical products by pharmaceutical manufacturers in China to overseas markets are not subject to price controls.

PRC LAWS AND REGULATIONS RELATING TO CENTRALIZED PROCUREMENT AND TENDER PROCESS

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 February 21, 2000, requires public hospitals and medical institutions in the PRC to purchase pharmaceutical products through a centralized tender process. The MOH and other relevant government authorities have promulgated a series of regulations and releases in order to implement the tender requirements.

According to the Notice on Issuing Certain Regulations on the Trial Implementation of Centralized Tender Procurement of Drugs by Medical Institutions (《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 July 7, 2000 and the Notice on Further Improvement on the Implementation of Centralized Tender Procurement of Drugs by Medical Institutions (《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 August 8, 2001, medical institutions established by county or higher level government are required to implement centralized tender procurement of drugs.

The MOH promulgated the Working Regulations of Medical Institutions for Procurement of Drugs by Centralized Tender and Price Negotiations (for Trial Implementation) (《醫療機構藥品集中招標採購和集中議價採購工作規範(試行)》) ("Centralized Procurement Regulations") on March 13, 2002, and promulgated Sample Document for Medical Institutions for Procurement of Drugs by Centralized Tender and Price Negotiations (for Trial Implementation) ("Centralized Tender Sample Document" (《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)》) in November 2001, to implement the tender process requirements and ensure the requirements are followed uniformly throughout the country. The Centralized Procurement Regulations and the Centralized Tender Sample Document provide rules for the tender process and negotiations of the prices of drugs, operational procedures, a code of conduct and standards or measures of evaluating bids and negotiating prices.

On January 17, 2009, the MOH, CFDA and other four national departments jointly promulgated the Opinions on Further Regulating Centralized Procurement of Drugs 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》). According to the notice, non-profit medical institutions owned by the government at the county level or higher or owned by state-owned enterprises (including state-controlled enterprises) shall purchase pharmaceutical products by on-line centralized procurement. Each provincial government shall formulate its catalogue of drugs subject to centralized procurement. Except for drugs in the National List of Essential Drugs (the procurement of which shall comply with the relevant rules on National List of Essential Drugs, certain pharmaceutical products which are under the national government's special control and traditional Chinese medicine, in principle, all drugs used by the medical institutions shall be covered by the catalogue of drugs subject to centralized procurement. On July 15, 2010, the MOH and five other ministries and commissions jointly promulgated the Working Regulations of Medical Institutions for Centralized Procurement of Drugs (《醫療機構藥品集中採購工作規範》) to further regulate the centralized procurement of drugs and clarify the code of conduct of the parties in

centralized drug procurement. General Office of the State Council promulgated Guiding Opinions of the State Council General Office on Improving Centralized Procurement of Drugs by Public Hospitals (國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見) on February 9, 2015, which provides a series of opinions on improving centralized procurement of drugs by public hospitals including purchasing pharmaceutical products according to categories, ameliorating payment methods, strengthening dispatch management, standardizing procurement platform, and strengthening supervision and regulation.

The centralized tender process takes the form of public tender operated and organized by provincial or municipal government agencies. The centralized tender process is in principle conducted once every year in the relevant province or city in China. Intermediaries may be engaged to act as bidding agencies for the centralized tender process. Such intermediaries are not permitted to engage in the distribution of drugs and must have no conflict of interest with the organizing government agencies. The bids are assessed by a committee composed of pharmaceutical experts who will be randomly selected from a database of experts approved by the relevant government authorities. The committee members assess the bids based on a number of factors, including but not limited to, bid price, product quality, clinical effectiveness, qualifications and reputation of the manufacturer, and after-sale services. Only pharmaceuticals that have won in the centralized tender process may be purchased by non-profitable medical institutions funded by government in the relevant region.

PRC LAWS AND REGULATIONS RELATING TO RESTRICTIONS ON ADVERTISING OF PHARMACEUTICAL PRODUCTS

Pursuant to the Provisions for Drug Advertisement Examination (《藥品廣告審查辦法》), which were promulgated on March 13, 2007 and came into effect on May 1, 2007, an enterprise seeking to advertise its drugs must apply for an advertising approval code. The validity term of an advertisement approval number for pharmaceutical drugs is one year. The content of an approved advertisement may not be altered without prior approval. Where any alteration to the advertisement is needed, a new advertisement approval number shall be obtained.

PRC LAWS AND REGULATIONS RELATING TO PACKAGING OF PHARMACEUTICAL PRODUCTS

According to Measures for The Administration of Pharmaceutical Packaging (《藥品包裝管理辦法》) effective on September 1, 1988, pharmaceutical packaging must comply with the provisions of the national standard and professional standard. If there are no standards above, the enterprise can formulate its own standard after obtaining the approval of the provincial level food and drug administration or bureau of standards. The enterprise shall reapply for the relevant authorities if it needs to change the packaging standard. Drugs without packing must not be sold in PRC (except for drugs needed by the army).

PRC LAWS AND REGULATIONS RELATING TO LABOR PROTECTION

Under the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on July 5, 1994 and became effective on January 1, 1995 and subsequently amended on August 27, 2009, the PRC Employment Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007 and became effective on January 1, 2008 and subsequently amended on December 28, 2012 and became effective on July 1, 2013 and the Implementing Regulations of the Employment Contract Law (《中華人民共和國勞動合同法實施條例》), which were promulgated by the State

Council and became effective on September 18, 2008, 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, and employers are required, when employing labor, 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 Labor Contract Law of the PRC.

Pursuant to the Law of Manufacturing Safety of the People's Republic of China (《中華人民共和國安全生產法》) effective on November 1, 2002 and was amended on August 31, 2014 (with the amendments becoming effective on December 1, 2014), manufacturers must establish a comprehensive management system to ensure manufacturing safety in accordance with applicable laws and regulations. Manufacturers not meeting relevant legal requirements are not permitted to commence their manufacturing activities.

Pursuant to the Administrative Measures Governing the Production Quality of Pharmaceutical Products (《藥品生產質量管理規範》) effective on March 1, 2011, manufacturers of pharmaceutical products are required to establish production safety and labor protection measures in connection with the operation of their manufacturing equipment and manufacturing process.

Pursuant to applicable PRC laws, rules and regulations, including the Social Insurance Law (《社會保險法》) which was promulgated by the SCNPC on October 28, 2010 and became effective on July 1, 2011, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》) which was promulgated by the State Council and became effective on January 22, 1995, Interim Measures concerning the Maternity Insurance (《企業職工生育保險試行辦法》) the Regulations on Work-related Injury Insurance (《工傷保險條例》) which was promulgated by the State Council on April 27, 2003 and became effective on January 1, 2004 and subsequently amended on December 20, 2010, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance work-related injury insurance, and maternity insurance. An employer who fails to register with the social insurance administrative authority may be ordered to rectify within a specific time period. If it fails to do so, the social insurance administrative authority shall impose a fine on the employer equivalent to one to three times the amount of the overdue social insurance contributions, and those management personnel and personnel who are directly responsible for shall be imposed with a fine of between RMB500 to RMB3,000. If the employer fails to make social insurance contributions timely and in full amount, the social insurance collecting authority will order the employer to make up outstanding contributions within the prescribed time period and impose a late payment fee at the rate of 0.05% per day from the date on which the contribution becomes due. If such employer fails to make the overdue contributions within such time limit, the relevant administrative department may impose a fine equivalent to one to three times the overdue amount.

PRC LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) promulgated and effective on December 26, 1989 and amended on April 24, 2014, the environmental protection department of the State Council is in charge of promulgating national

standards for environmental protection. The provincial governments and the local governments in autonomous regions and municipalities may also promulgate local standards for environmental protection on matters not specified under national standards and the local governments must report such standards to the competent department of environmental protection administration under the State Council for record.

Pursuant to the Law on Environmental Impact Studies of the People's Republic of China (《中華人民共和國環境影響評價法》) promulgated on October 28, 2002 and effective on September 1, 2003, manufacturers must prepare environmental impact study report setting forth the impact the proposed construction project may have on the environment and the measures to prevent or mitigate the impact for approval by the government authority prior to commencement of construction of the relevant project.

Pursuant to Air Pollution Prevention Law of the People's Republic of China (《中華人民共和國大氣污染防治法》) promulgated on April 29, 2000 by the General Committee of the National People's Congress of the PRC and effective on September 1, 2000, the environmental protection authorities above the county level are in charge of promulgating laws and regulations governing prevention of air pollution. The environmental protection department under the State Council formulates national standards and the local provincial governments formulate local standards on matters not specified under national standards. Manufacturers discharging polluted air must comply with applicable national and local standards. If a manufacturer emits polluted air exceeding national or local standards, it must correct its action during a certain period of time and the manufacturer may be subject to penalties.

Pursuant to Water Pollution Prevention Law of the People's Republic of China (《中華人民共和國水污染防治法》) promulgated by the General Committee of the National People's Congress of the PRC on November 1, 1984 and amended on February 28, 2008, the environment protection department under the State Council is in charge of promulgating laws and regulations governing national standards relating to discharge of waste water. Provincial governments may promulgate local waste discharge standards for matters not specified in national standards. Manufacturers must discharge of waste water in accordance with national and local standards. Manufacturers discharging waste water must pay water treatment fees. If the waste water discharged exceeds national or local standards, the manufacturer is required to pay higher waste water treatment fees. The environmental protection department has the right to order manufacturers which severely polluted water to correct their actions by reducing the amount of discharge during a stipulated period of time, suspend their operation or shutdown.

Pursuant to the Laws of Prevention and Control of Environmental Noise Pollution of the People's Republic of China (《中華人民共和國環境噪聲污染防治法》) promulgated on October 29, 1996 and effective on March 1, 1997, the environment protection department under the State Council is in charge of promulgating national standards for noise control. Local governments at the county level or above are in charge of promulgating local standards with respect to noise control. Manufacturers releasing exhaust fume exceeding the national or local standards may be required to correct their actions and be subject to penalties.

PRC LAWS AND REGULATIONS RELATING TO PRODUCT LIABILITY AND PROTECTION OF CONSUMERS

Pursuant to The General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》), which became effective from January 1, 1987 and was amended on August 27, 2009, 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 in 1993 and amended in 2000 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 on October 31, 1993 and was amended on October 25, 2013 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/or provide services to customers. Under the amendment on October 25, 2013, all business operators shall pay high attention to protect the customers' privacy which they obtain during the business operation. 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.

Under the Tort Law of the PRC (《中華人民共和國侵權責任法》) promulgated by the SCNPC on December 26, 2009 and was implemented from July 1, 2010, if damages to other persons are caused by defective products that are resulted from the fault of a third party such as the parties providing transportation or warehousing, the producers and the sellers of the products have the right to recover their respective losses from such third parties. If defective products are identified after they have been put into circulation, the producers or the sellers shall take remedial measures such as issuance of warning, recall of products, etc. in a timely manner. The producers or the sellers shall be liable under tort if they fail to take remedial measures in a timely manner or have not make efforts to take remedial measures, thus causing damages. If the products are produced and sold with known defects, causing deaths or severe damage to the health of others, the infringed party shall have the right to claim respective punitive damages in addition to compensatory damages.

OVERVIEW

Our history traces back to January 2007 when our predecessor, Haohai Limited was established in the PRC as a limited liability company with a registered capital of RMB20,000,000. Upon establishment, Haohai Limited was owned as to 90% by Haohai Chemical and 10% by Mr. Jiang Wei.

Prior to the establishment of Haohai Limited in 2007, Mr. Jiang Wei was involved in the chemical manufacturing industry since 2000 and gained rich experience in running such manufacturing businesses. By establishing Haohai Limited in 2007, Mr. Jiang Wei began to capitalize on his experience in managing and investing in chemical businesses and accumulated capital through the business of Haohai Chemical and his other businesses. Such capital subsequently became the seed funding for establishing the Company.

We are a leading company in China focusing on the research and development, manufacturing and sales of absorbable biomedical materials. Since establishment, our Company has focused on the production of biodegradable implantable biomedical materials, the ongoing development of new biomedical materials and the provision of services to professional sectors.

OUR MILESTONES

Our Group has been established through various strategic acquisitions. The following events are the key business and corporate development milestones of our Group:

Year	Event
2007	— Establishment of Haohai Limited
	— We gained control of Songjiang Factory
	— Shanghai Jianhua was acquired by the Company and became a subsidiary of Haohai Limited
	— Shanghai Qisheng was consolidated into the Company
2010	— Haohai Limited was converted into a joint stock limited liability company and renamed to Shanghai Haohai Biological Technology Co., Ltd.* (上海昊海生物科技股份有限公司)
	— Shanghai Likangrui was acquired by and became a wholly-owned subsidiary of the Company

* *for identification purpose only*

Year		Event
2011	—	The Company was entrusted by the Science and Technology Commission of Shanghai Municipality (上海市科學技術委員會) to sponsor the establishment of the Shanghai Strategic Alliance for Innovation of Medical Absorbable Biomaterial (上海市醫用可吸收生物材料產業技術創新戰略聯盟)
2013	—	The Company was recognized as an enterprise technology center by the Shanghai Municipal Economic Commission, Shanghai Municipal Finance Bureau, Shanghai Municipal Office, State Administration of Taxation, Shanghai Municipal Bureau of Local Taxation and Shanghai Customs
2014	—	The Company was approved by the Science and Technology Commission of Shanghai Municipality to establish the Shanghai Engineering and Research Center of Medical Absorbable Biomaterial (上海醫用可吸收生物材料工程技術研究中心), being one of the 35 Shanghai engineering research centers for the year
2015	—	The Company made an investment for 60% shareholding in Shanghai Baiyue by capital injection.

OUR CORPORATE DEVELOPMENT

1. First Capital Increase and Share Transfer

Songjiang Factory was a business branch operated by Shanghai Huayuan Life Sciences Research and Development Company Limited (上海華源生命科學研究開發有限公司) ("Shanghai Huayuan") and was mainly engaged in production and sales of sodium hyaluronate gel, sodium hyaluronate injection and freeze-dried rhEGF. Due to adjustments to its internal organizational structure, Shanghai Huayuan decided to dispose the assets of Songjiang Factory as a whole. According to an asset evaluation report issued by an independent third party valuer dated April 28, 2007, as at December 31, 2006, the book value of total assets of Songjiang Factory was RMB24,639,900 and the assessed value was RMB32,958,647.85.

In May 2007, Shanghai Huayuan, Haohai Chemical and Mr. Jiang Wei jointly increased their capital in Haohai Limited by the amount of RMB52,421,300 ("**First Capital Increase**") from RMB20,000,000 to RMB72,421,300. Out of the amount for the First Capital Increase, Shanghai Huayuan contributed RMB32,421,300 as paid-in capital, Haohai Chemical contributed RMB18,000,000 and Mr. Jiang Wei contributed RMB2,000,000. The paid-in capital of Haohai Limited increased by the amount of RMB32,421,300 from RMB4,000,000 to RMB36,421,300. Shanghai Huayuan contributed RMB32,421,300, out of which RMB195,700 was contributed by way of cash and RMB32,225,600 was contributed by way of injecting the assets of Songjiang Factory into Haohai Limited. After the First Capital Increase, Haohai Limited was owned as to 49.71% by Haohai Chemical, 44.77% by Shanghai Huayuan and 5.52% by Mr. Jiang Wei.

On March 20, 2007, upon completion of the capital increase above, Shanghai Huayuan transferred its 44.77% shareholding in Haohai Limited to Haohai Chemical by way of listing-for-sale on Shanghai United Assets and Equity Exchange through an open selection of transferees. The final transfer price was RMB33,000,000 which was at a premium of the consideration determined based on the appraised net asset value of Haohai Limited on record. Upon completion of the relevant change of business registration procedures for the above equity transfer in August 2007, Haohai Limited was owned as to 94.48% by Haohai Chemical and 5.52% by Mr. Jiang Wei.

2. Acquisition of Shanghai Jianhua

Shanghai Jianhua was founded in 1993. Before being acquired by Haohai Limited, it mainly engaged in the production and sale of medical sodium hyaluronate gel used in medical fields, such as orthopedics, gynecology and surgery. Prior to the acquisition, Shanghai Jianhua was owned as to 39% by He Wenlong, 25% by Wang Shundi, 16% by Chen Guoliang, 10% by Shanghai Jianhua Industrial Company Limited and 10% by Shanghai Longhua Industrial Company Limited, all being Independent Third Parties.

In August 2007, each of He Wenlong, Wang Shundi and Chen Guoliang entered into an equity transfer agreement and transferred their total 80% shareholdings in Shanghai Jianhua to Haohai Limited at a consideration of RMB1,560,000, RMB1,000,000 and RMB640,000 respectively. In November 2007, Haohai Limited, He Wenlong, Wang Shundi and Chen Guoliang entered into a supplemental agreement to adjust the consideration to RMB7,712,129.44, which was based on the 80% assessed value of the net assets of Shanghai Jianhua as at August 31, 2007 less 80% of the total transaction cost for the above equity transfer (i.e. RMB98,082.53).

In November 2007, Shanghai Jianhua Industrial Company Limited and Shanghai Longhua Industrial Company Limited transferred each of their 10% shareholdings in Shanghai Jianhua to Haohai Limited at a total consideration of RMB1,928,000 on the Shanghai United Assets and Equity Exchange in accordance with the relevant regulations and procedures on sale of collective asset. In December 2007, Shanghai Jianhua completed the change of business and related registrations with the relevant Administration of Industry and Commerce as required under PRC law. After the share transfers, Shanghai Jianhua became a wholly-owned subsidiary of Haohai Limited.

3. Acquisition of Shanghai Qisheng

Shanghai Qisheng was founded in 1992. Before being acquired by Haohai Limited, it mainly engaged in production and sales of chitosan and medical sodium hyaluronate gel used in medical fields, such as orthopedics, ophthalmology, gynecology and surgery. Prior to the acquisition, Shanghai Qisheng was owned as to 60% by Shanghai Lei Yun Shang Pharmaceutical Western District Company Limited* (上海雷允上藥業西區有限公司) ("Shanghai Lei Yun Shang"), 15% by Qisheng Research Institute, 5% by Peng Jian, 4% by Jin Jianping, 4% by Wu Ming, 2% by each of Wang Wenbin, Lu Zhiman, Gu Haiping, Yan Kai, Zhang Jindi and Tao Weidong, all being Independent Third Parties.

In April 2007, Shanghai Lei Yun Shang informed all shareholders that it intended to transfer its 60% equity interest in Shanghai Qisheng, and the other shareholders agreed to waive the right of first refusal. In July 2007, Shanghai Jing'an District State-owned Assets Supervision and Administration Commission approved, and Shanghai Lei Yun Shang arranged for the sale of its 60% shareholding

in Shanghai Qisheng on the Shanghai United Assets and Equity Exchange at a minimum price of RMB25,756,900. Haohai Limited commissioned Haohai Chemical to participate in the bidding of 60% shareholding of Shanghai Qisheng and to pay in advance. In October 2007, through electronic auction and upon confirmation by Shanghai United Assets and Equity Exchange, Haohai Chemical became the transferee of 60% shareholding of Shanghai Qisheng. The consideration for the transfer was RMB44,956,908, which was determined based on the final auction price after multiple rounds of bidding and the relevant taxes paid.

Thereafter, in December 2007, Haohai Chemical and all the nine individual shareholders of Shanghai Qisheng transferred their 85% shareholding in Shanghai Qisheng to Haohai Limited. In particular, the consideration for the transfer of the 60% equity interest in Shanghai Qisheng from Haohai Chemical to Haohai Limited was determined at RMB45,211,779 (equivalent to a unit consideration of RMB3.6). For the transfer of the 25% equity interest in Shanghai Qisheng held by the nine individual shareholders, the unit consideration was set at RMB1.2, which was determined with reference to their original capital contribution amounts, reasonable return on initial investments and the contributions of the nine individuals to Shanghai Qisheng. Further, after obtaining the approval from the shareholders of Shanghai Qisheng on October 13, 2008, Qisheng Research Institute transferred its 15% equity interest in Shanghai Qisheng to Haohai Limited. Upon negotiation between the parties and with reference to the price for transferring the equity interest in Shanghai Qisheng by the nine individual shareholders mentioned above, the final consideration for the 15% equity transfer above was determined at RMB3,762,000 (equivalent to a unit consideration of RMB1.2). The unit consideration of RMB1.2 for acquiring the aggregate 40% interests in Shanghai Qisheng from the nine individuals and Qisheng Research Institute in December 2007 and October 2008 was significantly lower than the unit consideration of RMB3.6 for acquiring the 60% interests in Shanghai Qisheng from Haohai Chemical in December 2007. The Directors believe that this was because (i) the consideration paid to Haohai Chemical was equal to the final auction price paid by Haohai Chemical plus the commission paid by Haohai Chemical at the auction, and potential purchasers were willing to offer higher bidding prices as controlling stake premium; and (ii) most of the minority shareholders (i.e. the nine individuals and Qisheng Research Institute) were willing to accept a lower consideration because they were uncertain about the prospects of Shanghai Qisheng due to the change of the controlling shareholder of Shanghai Qisheng and wanted to exit their investments at the relevant time.

Shanghai Qisheng completed the change of business and related registration with the relevant Administration of Industry and Commerce as required by PRC law for the various equity transfers above in January and October 2008 respectively. As a result, Shanghai Qisheng became a wholly-owned subsidiary of Haohai Limited.

4. Second Capital Increase

Pursuant to a shareholders' meeting of Haohai Limited held by December 2, 2008, the shareholders of Haohai Limited, namely Haohai Chemical and Mr. Jiang Wei, agreed to increase share capital of Haohai Limited by RMB47,578,700 from RMB72,421,300 to RMB120,000,000 ("**Second Capital Increase**"). Out of the RMB47,578,700, Haohai Chemical was to contribute RMB44,578,700 and Mr. Jiang Wei was to contribute RMB3,000,000. After the Second Capital Increase which was fully paid-up on December 12, 2008 and was duly completed on December 16, 2008, Haohai Limited was owned as to 94.17% by Haohai Chemical and 5.83% by Mr. Jiang Wei.

5. Equity transfer from Haohai Chemical to individual shareholders

Pursuant to a shareholders' meeting of Haohai Limited held on December 1, 2009, Haohai Chemical and Mr. Jiang Wei approved the transfer of shareholdings in Haohai Limited to 23 individual shareholders ("**Original Shareholder(s)**"). Separate equity transfer agreements dated December 1, 2009 were entered into by and between Haohai Chemical and each of the Original Shareholders, and they were amended by another set of supplemental equity transfer agreements. The supplemental equity transfer agreements were dated December 31, 2009 and entered into by and between Haohai Chemical and each of the Original Shareholders, pursuant to which the parties agreed to increase the transfer consideration under the previous equity transfer agreements for each of the Original Shareholders by 16% after arms' length negotiation. The table below shows the number of shareholdings transferred by Haohai Chemical to each of the Original Shareholders, the consideration for the transfers as adjusted by the supplemental equity transfer agreements and shareholdings of Haohai Limited after the transfers:

Original Shareholder	Final consideration	Shareholding transferred by Haohai Chemical	Shareholding after transfer
	(RMB)		
Jiang Wei	45,936,000	33.00%	38.83%
You Jie	33,408,000	24.00%	24.00%
Lou Guoliang	11,600,000	8.33%	8.33%
Hou Yongtai	6,960,000	5.00%	5.00%
Wu Jianying	6,960,000	5.00%	5.00%
Ling Xihua	6,960,000	5.00%	5.00%
Peng Jinhua	3,480,000	2.50%	2.50%
Huang Ping	2,320,000	1.67%	1.67%
Shen Rongyuan	2,320,000	1.67%	1.67%
Tao Weidong	2,320,000	1.67%	1.67%
Liu Yuanzhong	2,320,000	1.67%	1.67%
Wang Wenbin	1,972,000	1.42%	1.42%
Fan Jipeng	580,000	0.42%	0.42%
Wu Ming	580,000	0.42%	0.42%
Gan Renbao	580,000	0.42%	0.42%
Chen Yiyi	464,000	0.33%	0.33%
Zhao Meilan	464,000	0.33%	0.33%
Shi Xiaoli	464,000	0.33%	0.33%
*Zhu Min	348,000	0.25%	0.25%
Liu Jun	348,000	0.25%	0.25%
*Sun Xiaohuang	232,000	0.17%	0.17%
Wu Yazhen	232,000	0.17%	0.17%
Lu Rujuan	232,000	0.17%	0.17%
		94.17%	100.00%

* Note: Zhu Min and Sun Xiaohuang subsequently transferred their equity interests in Haohai Limited. Please refer to the section below for further details.

6. Conversion into a Joint Stock Limited Company

On July 1, 2010, a shareholders' meeting of Haohai Limited was held and pursuant to which the Original Shareholders agreed to convert Haohai Limited into a joint stock limited liability company with a registered capital of RMB120,000,000. According to the audit report prepared by an independent third party accounting firm, as at December 31, 2009, the net asset value of Haohai Limited amounted to RMB125,216,859.44, of which RMB120,000,000 had been converted into 120,000,000 shares (RMB1.0 par value per share), and issued to the Original Shareholders in proportion to their then capital contribution to Haohai Limited. The remaining amount of RMB5,216,859.44 was converted to capital reserve. Upon the completion of registration with the Shanghai Administration for Industry and Commerce (上海市工商行政管理局) on August 2, 2010, Haohai Limited was converted into a joint stock limited liability company and renamed to "Shanghai Haohai Biological Technology Co., Ltd. (上海昊海生物科技股份有限公司)".

Pursuant to an equity transfer agreement dated January 25, 2013 entered into by and between Sun Xiaohuang and Mr. Jiang Wei, Sun Xiaohuang transferred his 0.17% shareholding in our Company to Mr. Jiang Wei at a consideration of RMB800,000 determined based on arm's length negotiation.

Pursuant to an equity share transfer agreement dated March 22, 2013 entered into by and between Zhu Min and Zhong Jingjing, Zhu Min transferred her 0.25% shareholding in our Company to Zhong Jingjing at a consideration of RMB348,000 determined based on arm's length negotiation.

After the aforementioned share transfers, the shareholding structure of our Company was as shown in the section headed "— Group Structure before Listing" in this prospectus.

7. Acquisition of Shanghai Likangrui

Shanghai Likangrui was founded in 2001 with a registered capital of RMB5,000,000. Before being acquired by Haohai Limited, it mainly engaged in production and sales of porcine endogenous fibrin sealant, also known as medical protein suture glue. Shanghai Likangrui was owned as to 54% by Shen Anxin, 20% by Liu Guangwan, 18% by Feng Xueqiong and 8% by Zhou Jian and they are all Independent Third Parties.

In January 2010, the shareholders of Shanghai Likangrui transferred all their shareholdings in Shanghai Likangrui to Haoyang Investments at a total consideration of RMB8,000,000 which was determined based on the audited accounts of Shanghai Likangrui as at December 31, 2009. Subsequently, Haoyang Investments increased the capital in Shanghai Likangrui by RMB15,000,000 and transferred 100% shareholding of Shanghai Likangrui to the Company at RMB17,800,000 in the same year.

In January 2011, Shanghai Likangrui completed the relevant change of business registration regarding the aforesaid equity transfer.

8. Investment in Shanghai Baiyue by capital injection

Shanghai Baiyue was founded in 2014 with a registered share capital of RMB1,000,000 and owns a permit for medical device distribution enterprise. It is primarily engaged in the distribution of medical devices and development activities in medical and biological fields. Prior to the Company's capital injection, Shanghai Baiyue was owned as to 85% by Gu Lingzhi and 15% by Li Xudong and they are Independent Third Parties.

As the Company is interested to further develop its sales and distribution network, the Company has decided to invest in Shanghai Baiyue by way of capital injection in January 2015. Pursuant to the shareholders' resolutions passed on January 28, 2015, the shareholders of Shanghai Baiyue agreed to increase the share capital from RMB1,000,000 to RMB10,000,000. Out of the amount for the capital increase, Gu Lingzhi contributed RMB2,750,000 as paid-in capital, Li Xudong contributed RMB250,000 as paid-in capital and our Company contributed RMB6,000,000 as paid-in capital. On February 3, 2015, Shanghai Baiyue has become a non-wholly owned subsidiary of our Company and is owned as to 60% by our Company, 36% by Gu Lingzhi and 4% by Li Xudong.

CONFIRMATION FROM OUR PRC LEGAL ADVISERS

Our PRC Legal Advisers have confirmed that the above capital increases and equity transfers are lawful and valid and in compliance with the requirements of the then applicable PRC laws, regulations and related governing documents, and the necessary legal procedures have been completed and we have obtained all applicable approvals from PRC government authorities.

APPLICATION FOR A-SHARE LISTING

In March 2011, the Company filed with the CSRC an application for listing its shares on the ChiNext Board of the Shenzhen Stock Exchange (the "Initial A-share Application") sponsored by a sponsor company duly licensed in the PRC. On October 19, 2012, the CSRC issued a decision (the "2012 CSRC Decision") rejecting the Company's Initial A-share Application, on the following grounds:

(1) The Company purchased 40% of the shareholding in Shanghai Qisheng, a key subsidiary of the Company, at a price which was significantly lower than the price paid for acquiring the 60% controlling stake in Shanghai Qisheng and the net book value of Shanghai Qisheng. The CSRC was of the opinion that it was not sufficiently explained whether there was any material dispute regarding the price differences above, and whether there was any undisclosed arrangement of interests.

(2) The Company's then only supplier for HA powder (the "Previous Sole Supplier"), the raw materials for production of medical sodium hyaluronate products was a key competitor of the Company.

In respect of ground (1) as stated in the 2012 CSRC Decision, please refer to the historical background concerning the various transfers of equity interests in Shanghai Qisheng, and the basis for determining the consideration for such transfers under the section headed "History and Development - 3. Acquisition of Shanghai Qisheng" for further details. The Company's PRC Legal Advisers have confirmed that the historical equity transfers of Shanghai Qisheng were lawful and valid, and the Company lawfully and validly holds 100% equity interests in Shanghai Qisheng. Further, the Company confirmed that there was no undisclosed arrangement of interests with respect to such equity transfers.

In respect of ground (2) as stated in the 2012 CSRC Decision, the Company noted that the Previous Sole Supplier was not a competitor of the Company during the relevant track record period for the Initial A-share Application because the main business carried on by that supplier was the production and sale of HA raw materials during such period. In addition, there have not been any interruptions to the supply of HA powder to the Group since 2007. Despite this, the Company has been reducing reliance on the said supplier and diversified its suppliers to further ensure a continuous stable supply of HA powder. The percentage of HA powder in terms of quantity purchased from other independent third party suppliers during the years ended December 31, 2013 and 2014 were 0.1% and 42.3% respectively. To further ensure a continuous stable supply of HA powder, the Group has diversified its suppliers by purchasing HA powder from another independent third party supplier in the PRC and two companies in foreign countries. The HA powder sourced from the other independent third party supplier based in the PRC was of comparable quality, pricing and credit terms to that of the Previous Sole Supplier, and the HA powder sourced from the two European suppliers is able to meet the quality standards of the Company. In addition, the Group will further develop its in-house HA powder production capability as part of the Group's future expansion plan. The Group's production facility under construction at Shanghai Likangrui includes a production line for the production of HA powder, which is expected to commence commercial production by the end of 2015. In light of the above, the Directors of the Company are of the view that the Group has sufficiently diversified the supply of its HA powder.

On June 19, 2013, the Company re-filed with the CSRC an application for listing its shares on the ChiNext Board of the Shenzhen Stock Exchange (the "Re-filed A-share Application") in which the matters as stated in the 2012 CSRC Decision above were addressed, with change of sponsor to UBS Securities Co. Limited (瑞銀證券有限責任公司) ("UBS Securities"), an affiliate of the Sole Sponsor. Our Re-filed A-share Application was accepted by the CSRC on June 26, 2013, but there was no further development since the submission of the Re-filed A-share Application and we did not receive any vetting comments from the CSRC. In June 2014, as the Company intended to change the listing venue in order to better align with our business development and financing plans, the Company and UBS Securities applied to withdraw the Re-filed A-share Application which was accepted by the CSRC in July 2014. Following the withdrawal of the Re-filed A-share Application, the engagements between our Company and the relevant advisors also ceased. The two sponsors and the reporting accountants involved in the Initial A-share Application and the Re-filed A-share Application have confirmed that they had no disagreement with our Company and that there was no matter that needed to be brought to our attention with respect to the 2012 CSRC Decision and the withdrawal of the Re-filed A-share Application.

Save as disclosed in this prospectus, nothing has come to the attention of the Sole Sponsor that would reasonably make the Sole Sponsor aware of (a) any other issues relating to the Initial A-share Application and the Re-filed A-share Application which are relevant and material to the Listing and should reasonably be highlighted in this prospectus as part of the information that investors would reasonably require in order to make an informed assessment of the Company, and (b) any other matters relating to the Initial A-share Application and the Re-filed A-share Application which might materially and adversely affect the Company's suitability for the Listing or the accuracy of the information disclosed in this prospectus.

On the basis of certain confirmations made by UBS Securities to the CSRC that the Re-filed A-Share Application satisfied the requirements of the applicable PRC laws and regulations and having performed the necessary follow-up due diligence with UBS Securities with respect to the Re-filed A-share Application, nothing has come to the attention of the Sole Sponsor, itself not being licensed to advise on the Re-filed A-share Application or on PRC listing matters generally, that would reasonably make the Sole Sponsor aware of any matters that would cause it to believe that the CSRC would have then rejected the Company's Re-filed A-share Application had the Company elected to proceed with the CSRC review process for the Re-filed A-share Application.

BACKGROUND OF SHAREHOLDERS

Immediately prior to the completion of the Global Offering, our Company is owned by a total of 22 individual shareholders. Mr. Jiang Wei owns 39% of our shares and, together with his wife, Ms. You Jie (who owns 24% of our shares and who is also our non-executive Director) are our Controlling Shareholders. Dr. Hou Yongtai is our chairman. Mr. Wu Jianying, Mr. Ling Xihua, Mr. Huang Ping and Ms. Chen Yiyi are our executive Directors. Mr. Gan Renbao is our non-executive Director. Mr. Liu Yuanzhong is our Supervisor. Mr. Wang Wenbin is our deputy general manager. Tao Weidong and Wu Ming are our employees. The remaining 10 individual shareholders, namely Lou Guoliang, Peng Jinhua, Shen Rongyuan, Fan Jipeng, Zhao Meilan, Shi Xiaoli, Liu Jun, Wu Yazhen, Zhong Jingjing and Lu Rujuan are all Independent Third Parties and as far as our Directors are aware and save as disclosed above, they do not have any past or present relationship (other than being Shareholders) among themselves.

OUR SUBSIDIARIES

1. Shanghai Qisheng

Shanghai Qisheng was established in the PRC on May 27, 1992, converted into a joint-stock cooperative enterprise on July 10, 1995 and further converted into a limited liability company on March 28, 2001 with a registered capital of RMB20,900,000. On October 14, 2014, the registered capital of Shanghai Qisheng was increased from RMB20,900,000 to RMB60,000,000, of which Haohai Biological made a cash contribution of RMB39,100,000. Such capital contribution was fully paid-in on October 20, 2014 and Haohai Biological remained to hold 100% equity interest. Shanghai Qisheng mainly engages in the production and sale of Chitosan and medical sodium hyaluronate gel, which is the main business of the Company.

2. Shanghai Jianhua

Shanghai Jianhua was established in the PRC on October 20, 1993 and was converted into a limited liability company on August 14, 1995 with a registered capital of RMB4,000,000. On October 10, 2014, the registered capital of Shanghai Jianhua was increased from RMB4,000,000 to RMB15,000,000, of which Haohai Biological made a cash contribution of RMB11,000,000. Such capital contribution was fully paid-in on October 14, 2014 and Haohai Biological remained to hold 100% equity interest. Shanghai Jianhua mainly engages in the production and sale of medical sodium hyaluronate gel, which is the main business of the Company.

3. Shanghai Likangrui

Shanghai Likangrui was established in the PRC as a limited liability company on September 3, 2001 with a registered capital of RMB5,000,000 which was increased to RMB15,000,000 in 2010. On October 14, 2014, the registered capital of Shanghai Likangrui was further increased from RMB15,000,000 to RMB50,000,000, of which Haohai Biological made a cash contribution of RMB35,000,000. Such capital contribution was fully paid-in on September 24, 2014 and Haohai Biological remained to hold 100% equity interest.

Shanghai Likangrui used to be engaged in the production of porcine endogenous fibrin sealant (a medical protein suture glue). Medical protein suture glue used to be registered as a drug or a medical device according to the raw materials used in production. Pursuant to the requirements under an official notice released by CFDA in September 2006, all medical protein suture glue are required to be registered as drugs. Enterprises which had expired medical devices registration certificates ("Certificate(s)") can apply for an extension. CFDA will, with reference to the application for drug registration, grant an appropriate extension period for the Certificates. The extension period should not exceed December 31, 2008 and the cumulative extension should not be more than 18 months. Starting from February 3, 2009, the production and sale of all fibrin glue products must be carried out in accordance with the requirements on production and sale of drugs. According to the requirements set out above, Shanghai Likangrui has stopped production in 2009, before it was acquired by us.

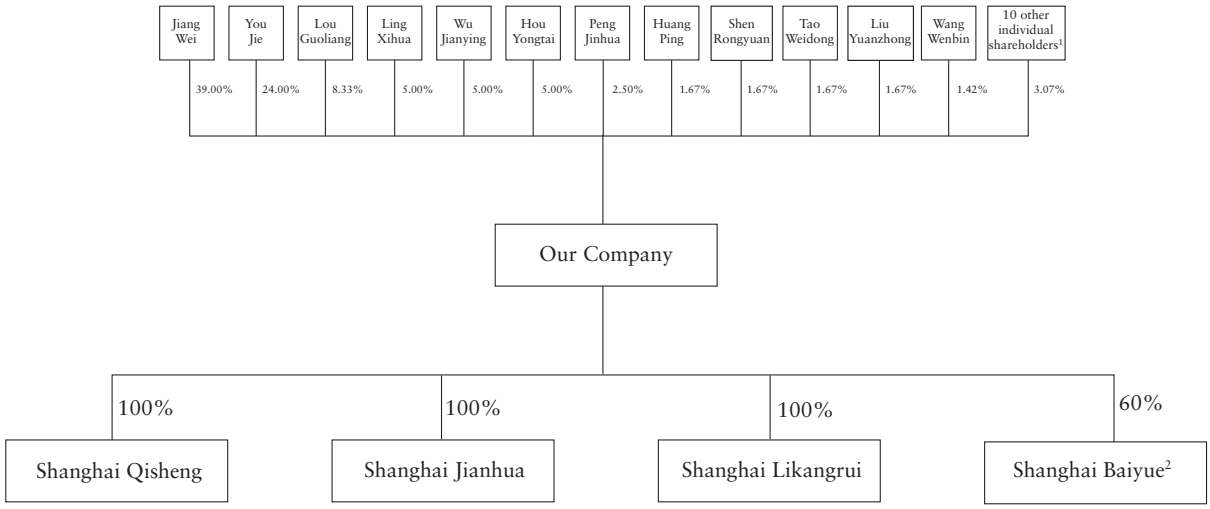
Currently, Shanghai Likangrui is constructing a production base for the production of porcine endogenous fibrin sealant that can satisfy the new GMP requirements. In addition, Shanghai Likangrui is also participating the industrialization projects for various biomedical materials including, among others, sodium hyaluronate chitosan raw materials, medical sodium hyaluronate injection, medical collagen sponge. The businesses in which Shanghai Likangrui expects to engage are part of the main business of the Company. For an update on the latest development activities involving Shanghai Likangrui, please refer to the section headed "Business — Our Production Facilities — Future Expansion and Upgrade Plan."

4. Shanghai Baiyue

Shanghai Baiyue was established in the PRC as a limited liability company on September 25, 2014 with a registered capital of RMB1,000,000. On February 3, 2015, the registered capital of Shanghai Baiyue was increased to RMB10,000,000, of which the Company made a cash contribution of RMB6,000,000 and in the result the Company held 60% of the equity interest in Shanghai Baiyue.

GROUP STRUCTURE BEFORE LISTING

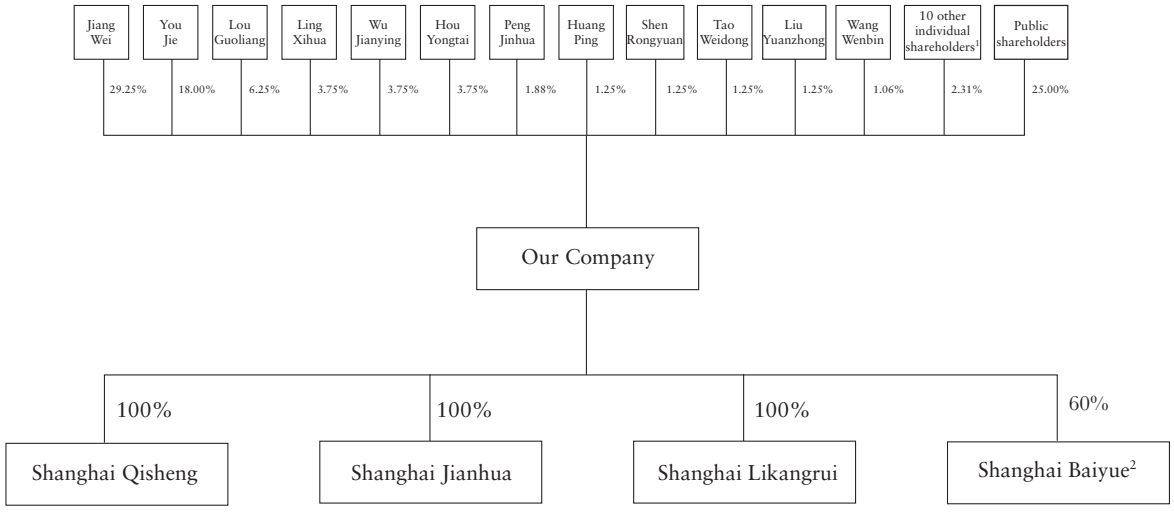
The following chart sets out our shareholding structure and our Subsidiaries immediately prior to the completion of the Global Offering:



1. Other individual shareholders include Fan Jipeng (0.42%), Wu Ming (0.42%), Gan Renbao (0.42%), Chen Yiyi (0.33%), Zhao Meilan (0.33%), Shi Xiaoli (0.33%), Zhong Jingjing (0.25%), Liu Jun (0.25%), Wu Yazhen (0.17%) and Lu Rujuan (0.17%). For further details, please refer to "History and Development — Background of Shareholders".
2. The minority shareholders of Shanghai Baiyue are Gu Lingzhi (36%) and Li Xudong (4%) and they are Independent Third Parties.

GROUP STRUCTURE FOLLOWING THE GLOBAL OFFERING AND UPON LISTING

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and upon Listing, our corporate structure will be set out as follows:



1. Other individual shareholders include Fan Jipeng (0.31%), Wu Ming (0.31%), Gan Renbao (0.31%), Chen Yiyi (0.25%), Zhao Meilan (0.25%), Shi Xiaoli (0.25%), Zhong Jingjing (0.19%), Liu Jun (0.19%), Wu Yazhen (0.13%) and Lu Rujuan (0.13%). For further details, please refer to "History and Development — Background of Shareholders".
2. The minority shareholders of Shanghai Baiyue are Gu Lingzhi (36%) and Li Xudong (4%) and they are Independent Third Parties.

OVERVIEW

We are a leading company in China focusing on the research and development, manufacturing and sales of absorbable biomedical materials. Absorbable biomedical materials are non-toxic, biodegradable in the human body and can be used for a variety of indications, primarily in various general and specialty surgeries. We strategically target the fast-growing therapeutic areas in the absorbable biomedical materials market in China, including orthopedics (骨科), anti-adhesion and hemostasis (防粘連及止血), ophthalmology (眼科) and wound care and tissue filling (創面護理及組織填充).

According to SME Research, we were:

- the largest manufacturer of anti-adhesion products in China as measured by revenue in 2013 with a market share of over 50.0% for each of the years from 2008 to 2013. Anti-adhesion products are used to prevent a wide range of tissue and organ adhesion resulted from trauma and injuries in surgical operations;
- the largest manufacturer of ophthalmic viscoelastic device (眼科黏彈劑) products in China as measured by revenue in 2013 with a market share of approximately 39.6%. Ophthalmic viscoelastic products are required for cataract (白內障) surgeries and can be used in other eye surgeries;
- the second largest manufacturer of intra-articular viscosupplement (骨關節腔注射) products in China as measured by revenue in 2013 with a market share of approximately 29.4%. Intra-articular viscosupplementation has been proven to be an effective and safe treatment for degenerative osteoarthritis (骨關節炎); and
- the third largest manufacturer of recombinant human Epidermal Growth Factor (rhEGF,重組人表皮生長因子) products in China as measured by revenue in 2013 with a market share of approximately 11.1%. rhEGF products can safely and significantly accelerate the wound healing process of the outer layer of the skin and mucous membrane.

We currently manufacture and sell 14 biomedical products, among which three are classified by CFDA as pharmaceutical products (including two chemical drugs and one biological product) and 11 are classified by CFDA as Class III medical devices. Our products are primarily made of medical sodium hyaluronate (醫用透明質酸/玻璃酸鈉), medical chitosan (醫用幾丁糖) and medical collagen (醫用膠原蛋白). These products are all made from natural raw materials. We also manufacture innovative biological drug such as rhEGF that utilize genetic engineering technology and is used for wound care.

- Sodium hyaluronate has been extensively used in the fields of clinical medicine, medical cosmetics and beauty products, and is expected to have broad prospects and market potential. Our sodium hyaluronate-based products have been approved to treat degenerative osteoarthritis and are also used in cataract surgeries, plastic surgeries and other types of general and specialty surgical operations.
- Our medical chitosan series of products are proprietary and patented. Similar to sodium hyaluronate, our chitosan products are also indicated for the treatment of osteoarthritis and the prevention of adhesion for surgery, among other indications. Chitosan has a longer *in vivo* retention time than sodium hyaluronate. The medical label for our chitosan products contains anti-microbial and hemostatic function claims, which does not apply to sodium hyaluronate. Modified chitosan is dissolvable in water. These properties make chitosan attractive in

pharmaceutical formulations for hemostasis, anti-adhesion and sustained-release preparation purposes. We developed and obtained patent for the first generation chitosan in 1997, which we believe was the first patented medical chitosan product in the world for use in human body. Current indications for our chitosan products also include eye protection. We are developing other indications for chitosan-based products as well.

- Medical collagen has good hemostatic effects. It has become an unique biomedical material used in the gynecological (婦產科), otolaryngological (耳鼻喉科), cerebral and general surgeries to shorten the operation time and improve the healing of wound and tissue after surgery.
- Our proprietary patented rhEGF products feature the same amino acid sequence as human EGF, which have been proven safe and effective in treating burns and wound care. Our rhEGF products are registered with CFDA as Class I new drug and were first approved rhEGF products in the world.

We have strong research and development capabilities. All our key products were developed by our internal research and development team in collaboration with various universities, research institutions and large Class III hospitals in China. To date, we have:

- developed the first generation chitosan, which we believe was the first patented medical chitosan product for use in human body in the world;
- developed a series of chitosan products for anti-adhesion, intra-articular viscosupplementation and eye protection;
- obtained CFDA Class III medical device registration certificate for our chitosan orthopedics intra-articular injection in July 2013, which was the only Class III medical device CFDA registration certificate for orthopedics intra-articular injection in China;
- obtained CFDA Class III medical device registration certificate for our lubricant eye drop product in June 2014, which was the only chitosan-based Class III medical device in China for eye protection;
- developed and obtained CFDA Class I new drug registration certificate for our rhEGF products in 2001, which were the first approved rhEGF products in the world and were awarded the Second Prize for National Science and Technology Progress Award in 2002 by the State Council; and
- developed dermal filler products used in plastic surgeries with our proprietary cross-linking technology which are used in plastic surgeries.

Our proprietary medical chitosan technology was awarded the Second Prize of the National Science and Technology Progress Award in 2009 by the State Council. To enhance our leading position in this area, we are in the process of developing a new thermal-sensitive chitosan technology, which features chitosan being liquid under room temperature but becoming gel after injected into human body. This technology is in the type inspection stage and is expected to further expand the usage and indications of medical chitosan in areas of sustained-release preparation, anti-adhesion, brain (spinal) membrane defect repair and intra-articular viscosupplementation.

Our market-driven research and development efforts focus on products that address rapidly growing clinical needs, particularly those with potential for future commercialization in global markets. As of December 31, 2014, we had a pipeline of 11 products in various stages of development, among which one was preparing for manufacturing permit application, two had completed clinical trials,

three were at various stages of clinical trial or type inspection, and five were at pre-clinical or technology research stage. We plan to market these products when appropriate in accordance with our business plan. A majority of our pipeline products received financial support from relevant PRC government authorities to support our research and development activities.

We have established an extensive and effective distribution network in China. As of December 31, 2014, our distribution network consisted of over 1,300 distributors, covering all provinces, municipalities and autonomous regions in China. As of December 31, 2014, our distribution network covered over 1,700 Class III and over 3,000 Class II hospitals in China, representing over 90% and 40% of the Class III and Class II hospitals in China, respectively. In addition to our distribution network, we also maintain a dedicated sales team that is in charge of direct sales to certain hospitals and handles medical affairs such as doctor training, organizing medical conferences and seminars and collecting feedback from doctors and hospitals.

The retail prices of our sodium hyaluronate injection and rhEGF products are subject to price controls by the NDRC, either at the national level or the provincial level. In addition, substantially all of our products are sold to public hospitals and other medical institutions in China, which must make substantially all of their purchases of pharmaceutical and medical device products through a centralized tender process.

Our management team has a proven track record and extensive experience in identifying, acquiring and integrating strategic assets. We focus on strategic assets that help broaden our product offerings and enhance our vertical integration. Leveraging our management's deep understanding of the biomedical materials industry, we were able to selectively acquire suitable biopharmaceutical or biomedical materials companies and implement our overall business strategies to accelerate the growth of our business. Our history traces back to 2007, when we gained control of our Songjiang Factory which manufactures several HA and rhEGF products. We further consolidated Shanghai Jianhua and Shanghai Qisheng in 2007. Since then, we have generated our revenue primarily from such three production facilities. As a result of our management team's efforts on the integration and consolidation of Shanghai Jianhua and Shanghai Qisheng, our sales in our audited consolidated financial statements prepared in accordance with the PRC GAAP increased from RMB95.8 million in 2008 to RMB520.3 million in 2014, while our net profit in our audited consolidated financial statements prepared in accordance with the PRC GAAP increased from RMB25.4 million in 2008 to RMB183.6 million in 2014.

For 2012, 2013 and 2014, our total revenue was RMB303.1 million, RMB401.1 million and RMB515.9 million, respectively, representing a CAGR of 30.5% from 2012 to 2014. For 2012, 2013 and 2014, our net profit was RMB113.9 million, RMB141.5 million and RMB183.6 million, respectively, representing a CAGR of 27.0% from 2012 to 2014, and our gross profit margin was 83.4%, 86.3% and 87.2%, respectively.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and position us well for continued growth:

We strategically focus on the fast-growing areas in the absorbable biomedical materials market in China and benefit from our leading market shares.

We focus on the research and development, manufacturing and sale of absorbable biomedical materials primarily made of medical sodium hyaluronate and medical chitosan.

Our products are primarily used in the following fast-growing areas in the absorbable biomedical materials market in China:

Orthopedics (骨科). Medical sodium hyaluronate/chitosan intra-articular viscosupplementation has been proven to be an effective and safe treatment for degenerative osteoarthritis. Degenerative osteoarthritis is commonly treated with oral medications such as pain killers and joint replacement surgery. Pain killers lessen the pain but do not modify the underlying disease while joint replacement is a major surgery. Viscosupplementation modifies the disease, protects the patient's joint, relieves the patient's pain and improves the patient's quality of life. It mainly involves injection and therefore is less intrusive than joint replacement. With China's growing aging population and growing number of orthopedic surgeries, the intra-articular viscosupplement market is expected to have high growth potential. According to SME Research, the intra-articular viscosupplement market in China grew from approximately RMB480 million in 2008 to RMB1,549 million in 2013, representing a CAGR of 26.4%, and may further grow to RMB6,304 million in 2019, representing a CAGR of 26.3% from 2014 to 2019. According to SME Research, we were the second largest intra-articular viscosupplement product manufacturer in China as measured by revenue in 2013. Our market share in the intra-articular viscosupplement market in China grew from 15.2% in 2008 to 29.4% in 2013. Our proprietary chitosan-based intra-articular viscosupplement products provide a differentiated high quality alternative to the doctors and patients, which we expect will continue to contribute to our strong market position.

Anti-adhesion (防粘連). Anti-adhesion products can be widely used to prevent various tissue and organ adhesion resulted from surgical operations. The use of anti-adhesion materials prior to the wound closure during the operations can significantly improve the post-operative tissue healing quality and protect the patients from certain post-operative complications. The rapid growth of surgery volume and increasing awareness of the use of anti-adhesion products fueled the growth of the PRC anti-adhesion market. According to SME Research, the market for post-operative anti-adhesion products in China grew from RMB368 million in 2008 to RMB1,514 million in 2013, representing a CAGR of 32.7%, and may further grow to RMB5,221 million in 2019, representing a CAGR of 23.1% from 2014 to 2019. According to SME Research, we were the largest post-operative anti-adhesion product manufacturer in China as measured by revenue in 2013. Our market share in the post-operative anti-adhesion market in China maintained at over 50% for each of the years from 2008 to 2013. With the completion of renovation and upgrade of our production facilities at Shanghai Qisheng and the launch of our higher dose forms of medical chitosan products, we aim to further consolidate our competitive advantage in the anti-adhesion market.

Ophthalmology (眼科). Cataract surgery requires ophthalmic viscoelastic device. The growing aging population in China has led to the rapid growth in cataract prevalence and cataract surgical rate, resulting in increased demand for ophthalmic viscoelastic products. According to SME Research, the market for ophthalmic viscoelastic device products in China grew from RMB444 million in 2008 to RMB924 million in 2013, representing a CAGR of 15.8%, and may further grow to RMB2,278 million in 2019, representing a CAGR of 16.2% from 2014 to 2019. According to SME Research, we were the largest ophthalmic viscoelastic device product manufacturer in China as measured by revenue in 2013. Our market share in the ophthalmic viscoelastic market in China remained at approximately 40.0% for each of the years from 2008 to 2013. We believe CE certification, the launch of our lubricant eye drop product and our expansion into overseas markets will bring new growth opportunities of our ophthalmological products.

Wound care (創面護理). Surgical wound care presents significant medical needs for wound treatment and protection for a variety of surgeries including serious burns, traffic injuries, skin transplant, diabetes and lower limb varicose ulcer. EGF products meet such needs by providing a safe and effective option for the treatment of burn wound repair, donor site skin repair, diabetic foot ulcer and other diseases. Such products have also demonstrated effective repair function in the field of plastic surgery. According to SME Research, we were the third largest EGF product manufacturer in China as measured by revenue in 2013. Our market share in China's EGF market grew from 0.9% in 2008 to 11.1% in 2013.

In addition, we also focus on the areas of hemostasis (止血) and tissue filling (組織填充) which we believe are attractive markets. In the hemostasis area, our collagen sponge product is registered with CFDA as Class III medical device, which provides effective solutions for the arrest of bleeding, especially for gynecological, otolaryngological, cerebral and general surgeries. We believe tissue filling products have great potential in the plastic surgery and medical cosmetic markets. Our main products in this area include dermal fillers.

Our products received numerous awards from various government agencies and organizations and are widely recognized in the industry. For example, our rhEGF product was approved as Class I new drug by CFDA in 2001 and was awarded the Second Prize of National Science and Technology Progress Award by the State Council in 2002. Our medical chitosan product was awarded the First Prize for Shanghai Science & Technology Invention in 2008 and the Second Prize of National Science and Technology Progress Award by the State Council in 2009. We believe that our "Teng", "Qisheng" and "Jianhua" brands are well recognized among hospitals and doctors in China as a result of the quality and reliability of our absorbable biomedical materials products.

Excellent track records in identifying, acquiring, integrating and optimizing strategic assets demonstrating the foresight and execution capability of our management.

Our management team has proven track records and extensive experience in identifying and integrating strategic assets acquired by our Company. We focus on strategic assets that help expand our product offerings and improve our vertical integration. Leveraging our management's deep understanding of the biomedical materials industry, we were able to identify and selectively acquire suitable biopharmaceutical or biomedical materials companies to expand our product lines and implement our overall business strategies to accelerate the growth of our business.

In addition to our visionary, value oriented approach in identifying suitable targets in our niche markets, we emphasize on integration, consolidation and optimization to ensure that our acquired assets could reach its full potential. With our management experience sharing, unified business model and optimized organization structure, we were able to help the companies acquired by us to efficiently:

- streamline their research and development, production, sales and marketing, human resources and finance functions;
- improve their operation efficiency and upgrade their production facilities with the experience and expertise of our management team in operating GMP compliant production facilities;
- improve their product design and clinical application by way of evidence-based medicine with the support of our extensive network of distributors, hospitals and other medical institutions; and
- restructure and optimize their sales and marketing task force and standardize their sales and marketing activities to fully leverage our established distribution network to increase sales.

Our history traces back to 2007, when we gained control of our Songjiang Factory which manufactures several HA and rhEGF products. We further consolidated Shanghai Jianhua and Shanghai Qisheng in 2007. Since then, we have generated our revenue primarily from such three production facilities. As a result of our management team's efforts on the integration and consolidation of Shanghai Jianhua and Shanghai Qisheng, our sales in our audited consolidated financial statements prepared in accordance with the PRC GAAP increased from RMB95.8 million in 2008 to RMB520.3 million in 2014, while our net profit in our audited consolidated financial statements prepared in accordance with the PRC GAAP increased from RMB25.4 million in 2008 to RMB183.6 million in 2014. We believe that our management team, with its focus on the product development, quality control, comprehensive product lines and professional marketing strategies and strong execution capability to duplicate its successful experience, provides us with a solid ground for future acquisitions and consolidations in China and overseas.

Strong capability in developing proprietary products supported by a deep product pipeline, an innovative research and development team and a broad range of collaboration with leading research institutions.

Our market-driven research and development efforts focus on products that address rapidly growing clinical needs within absorbable biomedical materials market, particularly those products that have the potential for future commercialization in the global markets. In addition, we focus our research and development efforts on developing technology platforms that enable us to develop a series of products covering a wide range of indications within our targeted markets or those complementary to our existing product offerings. For example, we have developed a range of indications for our sodium hyaluronate products including orthopedics, anti-adhesion and hemostasis, ophthalmology and wound care and tissue filling uses. All our key products were developed by our internal research and development team in collaboration with various universities, research institutions and hospitals in China. Our external research and development partners include The Second Military Medical University, Shanghai Jiao Tong University, Chinese Academy of Sciences Shanghai Institute of Ceramics and various Class III hospitals in China. To date, we have developed and brought to market a total of 14 biomedical products and have 11 key pipeline products under development.

As of December 31, 2014, we had a dedicated research and development team of 100 research staff, among whom five held a Ph.D. degree, 23 held a master's degree and 12 had worked in international pharmaceutical companies. Our research and development, production and marketing teams work together closely to develop new, clinically effective and commercially attractive products. Because we have extensive experience with the lengthy CFDA approval process in China, we believe that we are able to navigate the regulatory review process efficiently and introduce and commercialize new products in a timely manner. In addition, we have entered into collaboration arrangements with overseas and domestic pharmaceutical companies, research institutions and universities to jointly carry out research and development activities, thereby further enhancing our research and development capabilities. We also actively participate in industry organizations (such as Shanghai Strategic Alliance for Innovation of Medical Absorbable Biomaterials), established Shanghai Engineering and Research Center of Medical Absorbable Biomaterials and consult with hospitals and doctors to better identify their needs and demands.

We typically budget approximately 5.0% of our revenue for research and development expenditures. During the Track Record Period, our research and development expenses were RMB17.6 million, RMB23.5 million and RMB26.5 million, representing 5.8%, 5.9% and 5.1% of our total revenue for the respective periods. With our deep product pipeline and our continued investment in research and development activities, we believe we have built a solid foundation for our sustainable growth.

Extensive and effective distribution network and strong distributor management and marketing capabilities.

We have established an extensive and effective distribution network in China. As of December 31, 2014, our distribution network consisted of over 1,300 distributors covering all provinces, municipalities and autonomous regions in China. As of December 31, 2014, our distribution network covered over 1,700 Class III hospitals and over 3,000 Class II hospitals in China, representing over 90% and 40% of the Class III and Class II hospitals in China, respectively. Consisting of 105 personnel as of December 31, 2014, our sales and marketing team focuses on actively managing our distribution network, as well as integrating, supervising and evaluating our distributors. In addition to our distribution network, we also maintain a dedicated sales team that is in charge of direct sales to certain hospitals, and handles medical affairs such as doctor training, organizing medical conferences and seminars, and collecting feedback from doctors and hospitals.

In addition to our continued efforts to recruit and train our sales force, we have developed a proprietary management system and a robust compliance program to manage, supervise and support our in-house and external sales and marketing efforts as well as our nationwide distribution network. We believe our extensive coverage of hospitals and other medical institutions and our ability to identify and monitor our distributors represent a significant competitive advantage for us to effectively shorten the period for our newly developed products to reach target markets and to provide a solid foundation for us to continue enhancing market awareness of our products and brands.

We have a stable, experienced, dedicated and visionary senior management team.

Led by Dr. Hou Yongtai, our Chairman, and Mr. Wu Jianying, our general manager, we have a strong senior management team with in-depth knowledge of the biomedical materials industry. Mr. Wu Jianying has ten years of experience working as a general surgery doctor at Shanghai Changzheng

Hospital, and has more than 14 years of experience in the management of pharmaceutical and biomedical materials companies. Dr. Hou Yong Tai, has more than 22 years of research and development, industry research and management experience in foreign and domestic bio-pharmaceutical companies. Dr. Hou obtained a master's degree and a Ph.D. degree from Ohio University in the United States in March 1987 and August 1992, respectively. Our management team features complementing expertise and professions, extensive domestic and international experience, and the strong execution ability. Other members in our senior management team include Ms. Ren Caixia, Mr. Wang Wenbin, Mr. Zhang Jundong and Mr. Huang Ping, who have an average of 12 years of professional management experience in the pharmaceutical or medical device industry. Our senior management team has established a proven track record of identifying market opportunities and implementing business strategies, which led to our continued expansion into areas of higher growth rate and increased the overall profitability of our Group.

OUR STRATEGIES

Our objective is to further strengthen our leading position in the absorbable biomedical materials market in China and become a leading biomedical materials company globally. We intend to achieve our objective by implementing the following strategies:

Accelerate the growth of our business and product portfolio through acquisitions and effective integration

We intend to continue to accelerate our business growth through selective acquisitions of suitable pharmaceutical or biomedical materials companies with a focus on products that have high growth potential in our target therapeutic areas including orthopedics, anti-adhesion and hemostasis, ophthalmology and wound care and tissue filling. In addition, we will continue to explore product-focused acquisitions opportunities, in particular for products and/or technologies that are complementary to our existing product portfolio. We believe that we can effectively employ our established sales and marketing infrastructure and manufacturing capabilities to successfully commercialize and market such products.

We will continue to explore acquisitions that we believe will enable us to achieve rapid and effective market penetration in new therapeutic areas, as well as acquisitions involving technologies or intellectual properties that we believe will enhance our ability to implement our market-driven research and development strategies. When appropriate, we may also seek acquisition opportunities that provide us with access to overseas markets or well-recognized trademarks or brand names. In particular, we plan to strategically identify opportunities for cross-border acquisitions that would enable us to establish network for export sales, further enhance our research and development capability and develop our capability for product registration in overseas markets. In the meantime, we expect to introduce quality foreign biomedical material products into China, and leverage our deep industry knowledge and experience in commercializing, registering and launching such products in the China market, thereby further increasing our revenues.

We believe our proven track record in identifying, acquiring, integrating and optimizing strategic assets positions us well to identify attractive acquisition targets and consummate successful transaction that complement our existing businesses and product offerings.

Deepen our market penetration and expand our coverage of hospitals and other medical institutions through efficient sales and marketing efforts.

We intend to deepen the market penetration in our existing markets and increase the market share of our existing products by leveraging our high quality products and strong brand recognition. We plan to increase our coverage of hospitals and other medical institutions by further expanding our distribution network to add new distributors with greater financial resources and professional marketing capabilities and increasing our marketing activities. In particular we plan to increase our coverage and penetration among Class III hospitals and private hospitals.

In addition, we intend to provide more training to our distributors and doctors for their better understanding of the performance of our products. We also plan to further increase the efficiency of our marketing efforts in each of our target therapeutic areas by adopting an enterprise resource planning system and further integrating our distributors and internal sales force.

In the meantime, we intend to continue to strengthen our sales data analysis capability to ensure that proper products and strategies are applied to increase our success rate in the tender/bidding processes. We believe these measures provide us with a foundation to achieve greater sales performance.

Expand our portfolio of competitively positioned, innovative products in key therapeutic areas through market-driven product development programs.

We intend to expand our portfolio of innovative, competitively positioned products through market-driven product development programs focusing on products that address rapidly growing clinical needs, with a focus on products that have the potential for future commercialization in global markets. Our robust product pipeline has both near- and long-term projects under development, which we believe provides us with a foundation of sustainable growth. In addition, we intend to invest in research and development in other complementary product areas that can leverage our extensive network of distributors and brand recognition in the domestic and international markets. We believe an expanded product portfolio will enable us to achieve greater operational efficiency as a result of scales of economy and further enhance sales efficiency by leveraging our existing sales channels to drive additional revenues.

Increase our production capabilities through steady growth of our production capacity and continuous upgrades of our facilities

As of December 31, 2014, we operated three production facilities in Shanghai with a total of nine production lines. Our new production facilities at Shanghai Likangrui are currently under construction in accordance with the new GMP requirements. Raw material production line at Shanghai Likangrui productions facility is expected to be completed and commence operations in 2015. With the rapid growth of the absorbable biomedical materials market in China and our continued expansion, we plan to increase our production capacity and capability by constructing new production lines as well as upgrading our existing production facilities in anticipation of increasing demand for our products. We will continue to develop new or upgrade existing production techniques to enhance product quality and manufacturing efficiency.

OUR PRODUCTS

We focus on the research and development, manufacturing and sales of absorbable biomedical materials primarily made of medical sodium hyaluronate, medical chitosan and medical collagen. We also manufacture innovative drugs such as rhEGF that primarily utilize genetic engineering technology. We currently manufacture and sell 14 biomedical products targeting therapeutic areas covering orthopedics, ophthalmology, anti-adhesion and hemostasis and wound care and tissue filling. According to CFDA classifications, three of our products are classified as pharmaceutical products and 11 of our products are classified as Class III medical devices. The following table sets forth a breakdown of our revenue, by amount and as a percentage of our total revenue, from the sale of products by therapeutic area for the periods indicated:

	For the year ended December 31,					
Therapeutic Area	**2012**		**2013**		**2014**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Orthopedics	123,206	40.7	198,856	49.6	236,838	45.9
Anti-adhesion and hemostasis	121,788	40.2	139,884	34.9	155,303	30.0
Ophthalmology	50,740	16.7	52,843	13.2	66,980	13.0
Wound care and tissue filling	7,331	2.4	9,505	2.3	56,819	11.1
Total	303,065	100.0	401,088	100.0	515,940	100.0

The following table sets forth selected information relating to our key products:

Therapeutic area	Key products	Brand names	Authority/registration certificate number	Expiry date of registration certificate	Production Facilities	Product Shelf Life	CFDA Classification
Orthopedics	Sodium hyaluronate injection	"腾" brand	CFDA H20051837	May 11, 2015**	Haohai Biological	three years	Chemical drug
		"腾" brand	CFDA H20051838	May 6, 2015**	Haohai Biological	three years	Chemical drug
	Chitosan injection products	Chitogel®	CFDA 20133640946	Jul. 3, 2017	Shanghai Qisheng	two years	Class III medical device
Anti-adhesion and hemostasis	Sodium Hyaluronate gel	"腾" brand	CFDA 20113640335	Mar. 15, 2015**	Haohai Biological	three years	Class III medical device
		"其勝" brand	CFDA 20153640476	Mar. 18, 2020	Shanghai Qisheng	three years	Class III medical device
		"建華" brand	CFDA 20113641402	Nov. 9, 2015*	Shanghai Jianhua	two years	Class III medical device
	Medical chitosan	Chitogel®	CFDA 20143642114	Dec. 3, 2019	Shanghai Qisheng	two years	Class III medical device
	Collagen sponge	"奇特邦" brand	CFDA 20113641651	Dec. 29, 2015**	Shanghai Qisheng	two years	Class III medical device
Ophthalmology	OVD products	"腾" brand/ Survisc®	CFDA 20143221171	Jun. 30, 2019	Haohai Biological	two years	Class III medical device
		"其勝" brand	CFDA 20143221175	Jun. 30, 2019	Shanghai Qisheng	three years	Class III medical device
		"建華" brand	CFDA 20113220368	Mar. 24, 2015**	Shanghai Jianhua	three years	Class III medical device
	Lubricant eye drops	Eyesucom®	CFDA 20143221050	Jun. 23, 2019	Shanghai Qisheng	two years	Class III medical device
Wound care and tissue filling	rhEGF	Healin®	CFDA S20010094	Mar. 9, 2020	Haohai Biological	two years	Biological product
			CFDA S20010095	Mar. 9, 2020	Haohai Biological	two years	Biological product
			CFDA S20010096	Mar. 9, 2020	Haohai Biological	two years	Biological product
			CFDA S20010099	Mar. 9, 2020	Haohai Biological	two years	Biological product
	Cross-linked sodium hyaluronate gel	Matrifill®	CFDA 20133461447	Sep. 17, 2017	Shanghai Qisheng	three years	Class III medical device

* Preparing for renewal.

** In the process of renewal.

Orthopedics Products

We currently manufacture and sell two orthopedics products used for intra-articular viscosupplement (骨關節腔注射), which were made of medical sodium hyaluronate or medical chitosan. In 2012, 2013 and 2014, our revenue from sales of orthopedics products was RMB123.2 million, RMB198.9 million and RMB236.8 million, respectively, with a CAGR of 38.6% from 2012 to 2014.

The market for intra-articular viscosupplement products in China in 2013 was RMB1,549 million with a CAGR of 31.6% from 2011 to 2013, according to SME Research. Our sodium hyaluronate injection products had a total market share of 29.4% in China in terms of revenue in 2013, according to SME Research. The market share of our sodium hyaluronate injection products in terms of revenue increased from approximately 15.2% in 2008 to approximately 29.4% in 2013, according to SME Research.

Sodium Hyaluronate Injection Products (for intra-articular viscosupplementation) (玻璃酸鈉注射液)

Sales of our sodium hyaluronate injection products accounted for 40.0% of our revenue in 2014. Our sodium hyaluronate injection products are indicated for the treatment of degenerative osteoarthritis via intra-articular injection, which help minimize joint pains, improve joint mobility and reduce functional impairment.

In 2012, CFDA issued a circular pursuant to which sodium hyaluronate injection products were reclassified as pharmaceutical products under the current CFDA regulatory scheme. We have obtained drug registration certificates for all our sodium hyaluronate injection products. As of December 31, 2014, our sodium hyaluronate injection products were listed in the national Medical Insurance Catalogues in China.

Medical Chitosan Products (for intra-articular viscosupplementation)(醫用幾丁糖)

Sales of our chitosan products for intra-articular viscosupplementation accounted for 5.2% of our revenue in 2014. Chitosan is a linear polysaccharide that has a number of biomedical usages such as protecting patients from injuries, infection and bleeding. Chitosan has a longer *in vivo* retention time than sodium hyaluronate and has anti-microbial and hemostatic functions. In combination with its cationic and hydrophilic nature, chitosan is attractive in pharmaceutical formulations for hemostasis, anti-adhesion and sustained-release preparation purposes. We developed and obtained patent for the first generation chitosan in 1997, which we believe was the first patented medical chitosan product in the world for use in human body. Our chitosan products are now widely used in post-operative anti-adhesion and intra-articular viscosupplementation. In 2010, we cooperated with The Second Military Medical University in Shanghai, and developed innovative water-soluble and thermal-sensitive medical chitosan.

Our chitosan products for intra-articular viscosupplementation can be used for the treatment of degenerative osteoarthritis via intra-articular injection. As chitosan degrades slower in human body as compared to sodium hyaluronate, our Chitogel® branded chitosan products can be applied for same indications as our sodium hyaluronate injection products, while its properties enable the treatment to be more long-lasting and effective.

Our chitosan product for intra-articular viscosupplementation is approved by and registered with CFDA as Class III medical device. We are the only company in China that holds a registration certificate for chitosan products for intra-articular viscosupplementation.

Anti-Adhesion and Hemostasis Products

We currently manufacture and sell five post-operative products used for anti-adhesion and hemostasis, including hyaluronate and chitosan based products, as well as medical collagen sponge. In 2012, 2013 and 2014, our revenue from sales of anti-adhesion and hemostasis products was RMB121.8 million, RMB139.9 million and RMB155.3 million, respectively with a CAGR of 12.9% from 2012 to 2014.

The market for post-operative anti-adhesion products in China in 2013 was RMB1,514 million, with a CAGR of 28.9% from 2011 to 2013, according to SME Research. The market share of our post-operative anti-adhesion products in terms of revenue constantly maintained at a level of over 50% since 2008, according to SME Research.

Post-operative Anti-Adhesion Products (術後防粘連阻隔劑)

Sales of our post-operative anti-adhesion products accounted for 28.3% of our revenue in 2014. Our post-operative anti-adhesion products include Chitogel® branded chitosan products and hyaluronate gel products. Our postsurgical anti-adhesion products feature the ability to lower the risks of infection and bleeding, and are indicated for preventing post-operative adhesion in the general surgery, obstetrics, gynecology and orthopedics.

All our post-operative anti-adhesion products are approved by and registered with CFDA as Class III medical devices.

Medical Collagen Sponge (醫用膠原蛋白海綿)

The production of our medical collagen sponge at our new production line at Shanghai Qisheng officially commenced in February 2014. Our medical collagen sponge is made of purified type I collagen, which is extracted from bovine tendon. We have adopted advanced dry freezing technology in the production of the medical collagen sponge products, which enables quick hemostasis and accelerates and promotes wound-healing. Our medical collagen sponge products are provided in various specifications and are indicated for all kinds of homeostasis, cavity filling for various tissue and organs, and helping tissue and wound healing.

Our medical collagen sponge products are approved by and registered with CFDA as Class III medical devices.

Ophthalmology Products

We currently manufacture and sell four ophthalmology products, including three ophthalmic viscoelastic devices, commonly known as "OVD" products, and one lubricant eye drop product. In 2012, 2013 and 2014, our revenue from sales of ophthalmology products was RMB50.7 million, RMB52.8 million and RMB67.0 million, respectively with a CAGR of 14.9% from 2012 to 2014.

The market for OVD products in China in 2013 was RMB924 million with a CAGR of 15.6% from 2011 to 2013, according to SME Research. In addition, our OVD products are the most widely used domestic OVD products in China with our total market share of approximately 39.6% in terms of revenue in 2013, according to SME Research. The market share of our OVD products in terms of revenues remained at approximately 40.0% for each of the years from 2008 to 2013, according to SME Research.

Ophthalmic Viscoelastic Devices (眼科黏彈劑)

Sales of our OVD products accounted for 13.0% of our revenue in 2014. Our OVD products contain medical hyaluronate gel in different concentration, viscosity and molecular weight, and are provided in different specifications. Our OVD products are mainly indicated as a surgical aid in cataract extraction, implantation of intraocular lens, corneal transplant surgery and glaucoma filtering surgery, which help create and maintain the anterior chamber, protect and repair the corneal endothelium, and reduce post-operative complications.

All of our OVD products have been approved and registered with CFDA as Class III medical devices. In addition, Shanghai Qisheng obtained CE certification for all of its OVD products in 2008 to facilitate our international sales, and we believe we are the first manufacturer in China that obtained CE certification for OVD products.

Lubricant Eye Drop Product (潤眼液)

We officially launched our Eyesucom® branded lubricant eye drop product that utilized our newly imported BFS (blow-fill-seal) filling equipment in October 2014, and therefore we did not generate any substantial revenue from sales of lubricant eye drop products during the Track Record Period. Our lubricant eye drop product contains water-soluble medical chitosan and hyaluronic acid and is similar to the structure of tear film. In addition, our proprietary lubricant eye drop product features anti-microbial, long half-life and good film performance and helps stimulate epithelial cell growth and inhibit fibroblast cell growth. It can be used for increasing retention time in the eye, stabilizing the tear film and protecting the sensitive corneal epithelium, thereby protecting eyes from tear deficiency resulted from ophthalmic surgeries and damage. Furthermore, our lubricant eye drop product is free of preservatives and antibiotics, and we use unit dose vial (UDV) package to prevent contamination and increase portability.

Our lubricant eye drop product was approved by and registered with CFDA as a Class III medical device, which is the only chitosan-based Class III medical device in China that is indicated for eye protection. In addition, we are also in the process of applying for CE certification for our lubricant eye drop product.

Wound care and tissue filling Products

We currently manufacture and sell two products used for wound care and tissue filling, including rhEGF and dermal filling products. In 2012, 2013 and 2014, our revenue from sales of wound care and tissue filling products was RMB7.3 million, RMB9.5 million and RMB56.8 million, respectively with a CAGR of 178.4% from 2012 to 2014. The market for rhEGF products in China in 2013 was

RMB316 million with a CAGR of 24.8% from 2011 to 2013, according to SME Research. In addition, during the Track Record Period, the market share of our rhEGF products in terms of revenue increased from approximately 3.0% in 2011 to approximately 11.1% in 2013, according to SME Research.

rhEGF (外用重組人表皮生長因子)

Sales of our rhEGF products accounted for 6.1% of our revenue in 2014. Our wound care products feature the Healin® branded recombinant human epidermal growth factor, commonly known as "rhEGF". Our rhEGF products have same 53 amino acid structure as natural epidermal growth factors in human bodies, which leads to good biocompatibility, and helps stimulate the growth of epidermal and fibroblast cells, which accelerates the wound healing process. As such, our rhEGF product is indicated for the treatment of fresh or old wound, including burn wound (include superficial II° or deep II°), residual wound, donor site wound and chronic ulcer.

Our rhEGF products are approved by and registered with CFDA as Class I new drug in 2001 and were awarded the Second Prize for National Science and Technology Progress Award in 2002 by the State Council. As of December 31, 2014, our rhEGF products were listed in the national Medical Insurance Catalogues in China.

Cross-Linked Sodium Hyaluronate Dermal Filler (皮下組織填充劑)

Sales of our cross-linked sodium hyaluronate dermal filler accounted for 5.0% of our revenue in 2014. Our Matrifill® and Janlane™ branded dermal filler products are cross-linked hyaluronic acid fillers that adopted different cross-linking technology and indicated to correct moderate to severe facial wrinkles and folds by injection into the middle and deep layer of the dermis. Our Matrifill® cross-linked sodium hyaluronate dermal filler uses distinctive cross-linking technology to achieve safe, effective and long-lasting effect. In addition, we conducted multi-center clinical trials with over 500 cases for our Matrifill® cross-linked sodium hyaluronate dermal filler product and obtained CE certification in 2012. Our Matrifill® products are approved by and registered with CFDA as Class III medical devices. Our Janlane™ cross-linked sodium hyaluronate dermal filler has completed clinical trial and is currently collecting relevant data for medical device registration certificate. We expect the new Janlane product which utilizes a different cross-linking technology will provide our end-users with more alternatives in their clinical uses.

To the knowledge of our Directors, our products are not subject to immediate risk of substitution by alternative products in the market.

Product Pipeline

Our research and development, production and sales teams work closely to develop, manufacture and sell new, clinically effective and commercially attractive products. We focus on upgrading our existing products, such as the second generation sodium hyaluronate/chitosan products, and developing value-added products which promote vertical integration, such as certain API or key raw materials of our products. In the near term, we focus our product development on the second generation of sodium hyaluronate/chitosan-based anti-adhesion and hemostasis products, fibrin sealant products, as well as different specifications of our existing products. In the long term, we intend to expand our research and development capabilities to develop the chitosan technology platform, which is elected and supported by the National High-Tech R&D Program (863 Program)

and the Major Project of National Science and Technology under the Twelfth Five-Year Plan, as well as the electrospinning technology platform, which is elected and supported by the Major Project of National Science and Technology, to further expand our product offerings to sustained-release preparations, anti-adhesion and hemostasis membrane products and other proprietary Class I new drugs. The table below sets forth the key products that are currently in our product development pipeline:

Product Series	Therapeutic area	Development status	Indications	CFDA Classification	Government Supported/ Funded Project	Expected Launch Date
Fibrin sealant product (powder)	Anti-adhesion and hemostasis	Preparing for manufacturing permit application	Cavity filling, hemostasis, anti-adhesion and wound protection and healing	Pharmaceutical*	Strategic New Industry Project of Shanghai Municipality	2016
Cross-linked sodium hyaluronate gel II	Wound care and tissue filling	Clinical trial completed	Dermal filling	Class III medical device**	Shanghai Production, Academic and Research Project of Shanghai Science and Technology Commission	2016
Medical sodium hyaluronate gel (High concentrations OVD product)	Ophthalmology	Clinical trial completed	Ophthalmic viscoelastic device	Class III medical device**	—	2016
Thermal-sensitive chitosan gel	Orthopedics; general surgery	Type inspection	Cerebrospinal fluid leakage plugging during orthopedic surgery or neurosurgery	Class III medical device**	National High-Tech R&D Program (863 Program); The Shanghai Youth Science and Technology Project Phospherus; Shanghai Selected Support Project; Shanghai Production, Academic and Research Project of Shanghai Science and Technology Commission	2018
QST gel	Wound care and tissue filling; ophthalmology	Type inspection	Correction of moderate to severe facial wrinkles; ophthalmic viscoelastic device	Class III medical device**	Shanghai Production, Academic and Research Project of Shanghai Science and Technology Commission	2017
HAL gel for ophthalmology use	Ophthalmology	Applying for clinical trial	Local anesthetic for ophthalmology surgeries	Pharmaceutical*	—	After 2018
rhEGF gel for ophthalmology use	Ophthalmology	Pre-clinical trial study	Corneal injuries resulted from trauma or corneal ulcer	Pharmaceutical*	—	After 2018

Product Series	Therapeutic area	Development status	Indications	CFDA Classification	Government Supported/ Funded Project	Expected Launch Date
Chitosan (CM) wound healing hydrogel	Wound care and tissue filling	Pre-clinical trial study	Enhance the concentration of drug administration site; improve the contact of drugs and the wound; maintain and promote the growth of epithelial tissues; promote wound healing, anti-infection and reduce scars.	Pharmaceutical*	Major project of national science and technology on drug discovery	After 2018
Nerve tube	Peripheral nerve defect	Preparing for type inspection	Guiding and protecting the nerve during nerve regeneration process to improve the nerve recovery	Class III medical device**	Science and Technology Key Project of Shanghai Science and Technology Commission	After 2018
Drug loaded sustained-release artificial lacrimal canaliculus . . .	Ophthalmology	Technology research	Relieving lacrimal duct clogging	Class III medical device**	Outstanding Subject Leaders Project of the Shanghai Science and Technology Commission; Science and Technology Support Project of the Shanghai Science and Technology Commission	After 2018
Fibrin sealant product (solution). . . .	Anti-adhesion and hemostasis	Technology research	Cavity filling, hemostasis, anti-adhesion and wound protection and healing	Pharmaceutical*	—	After 2018

* According to applicable regulations in China and our past experience, the development of pharmaceutical products in China can be sequentially divided into the following stages: (i) technology research, which typically takes more than one year; (ii) pre-clinical trial study, which typically takes more than one year; (iii) applying for clinical trial, which typically takes two to three years; (iv) clinical trial, which typically takes one to three years; and (v) applying for manufacturing permit, which typically takes one to three years.

** According to applicable regulations in China and our past experience, the development of Class III medical device products in China can be sequentially divided into the following stages: (i) technology research, which typically takes more than one year; (ii) preparation for type inspection, which typically takes more than one year; (iii) type inspection, which typically takes six months to one year; (iv) clinical trial, which is only required for specified medical devices and typically takes one to three years; and (v) applying for manufacturing permit, which typically takes one to three years.

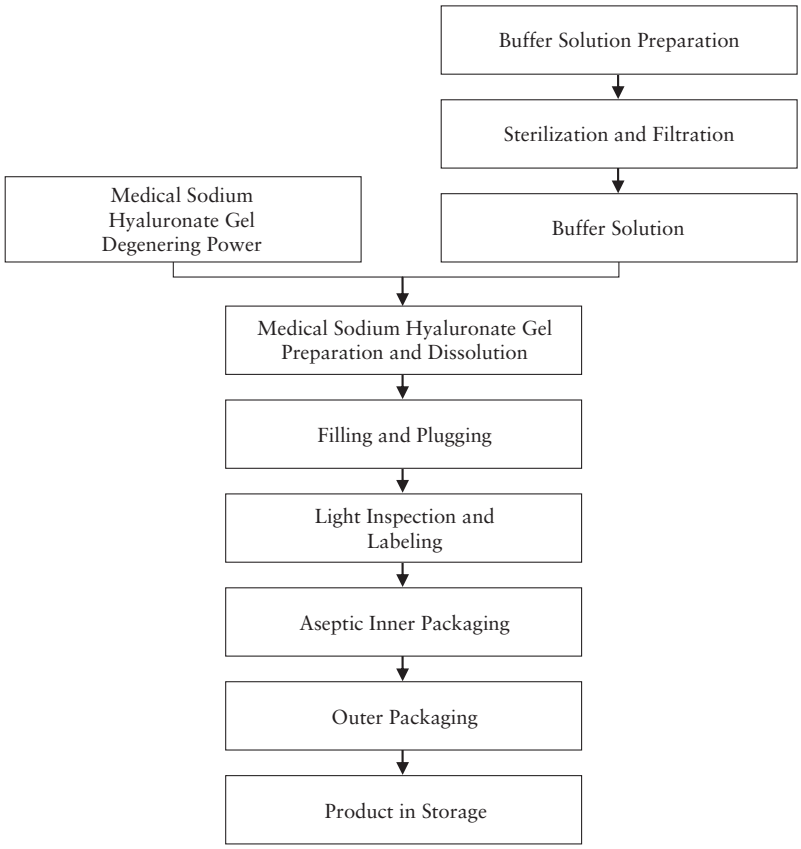
PRODUCTION

Production Process

We have implemented a strategy that focuses on both active pharmaceutical ingredients (APIs) and biomedical materials products, and developed the technology and capacity to produce key raw materials and end products. The production processes used in the manufacture of our key products are set forth below. Please refer to "—Legal and Compliance—Licenses and Permits" below for further details of our material certificates.

Production Process for Medical Hyaluronate Gel (醫用透明質酸鈉凝膠)

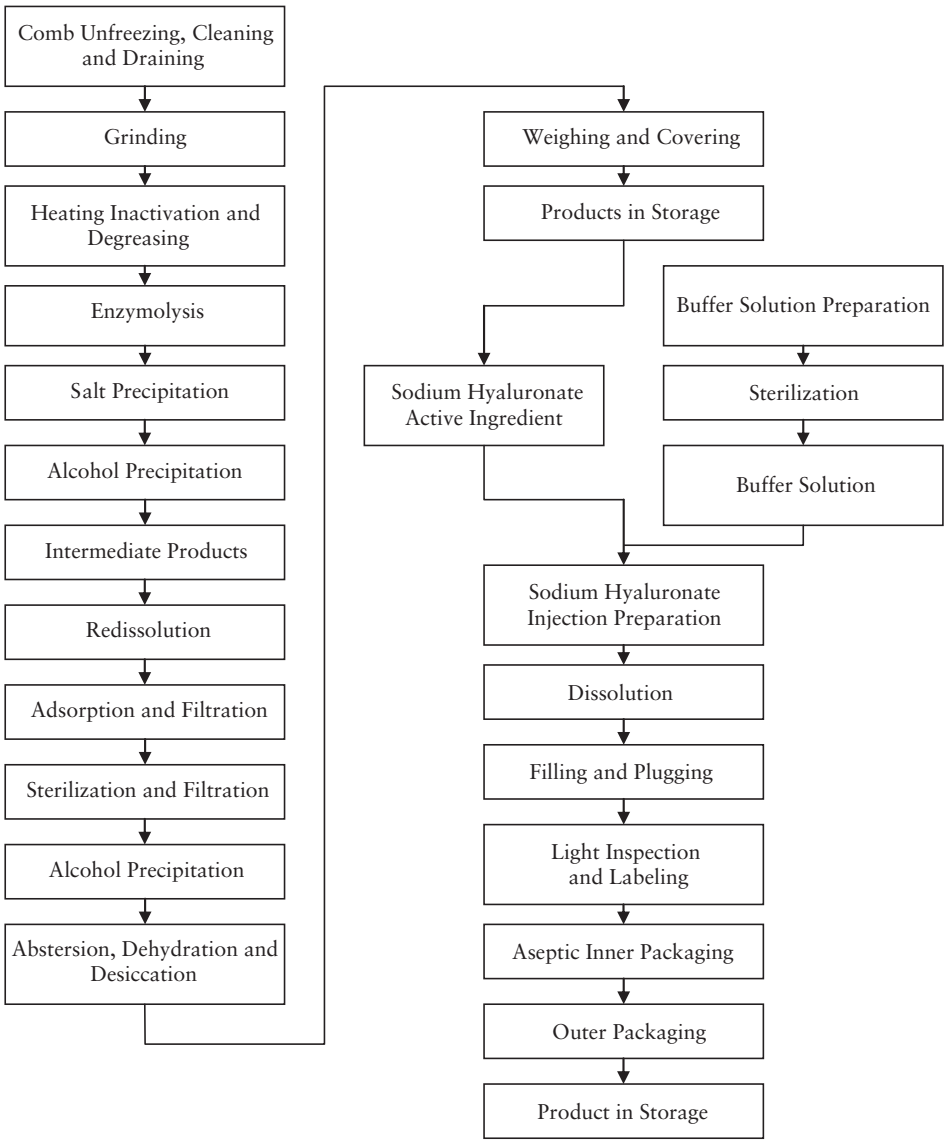
The following diagram summarizes the production process for medical hyaluronate gel. The production time for the critical processes, (i) medical sodium hyaluronate gel preparation and dissolution and (ii) filling and plugging, typically take approximately 52 hours and 12 hours, respectively.



Production Process for Medical Sodium Hyaluronate Products by Extraction from Rooster Combs

During the Track Record Period, all of the HA powder used as the raw material for production by Haohai Biological of its medical sodium hyaluronate injection and medical hyaluronate gel products was produced by Haohai Biological and was made by the extraction method. During the Track Record Period, Haohai Biological's revenue from the medical sodium hyaluronate injection and medical hyaluronate gel products made of the HA powder by the extraction method (as indicated in the registration standard and registration certificate of the relevant product) was approximately RMB120,551,000, RMB196,501,000 and RMB233,290,000 for the years ended December 31, 2012, 2013 and 2014, respectively, representing 56.2%, 67.0% and 65.7% of our total revenue generated from the medical sodium hyaluronate injection and medical hyaluronate gel products for the same years, respectively.

The following diagram summarizes the production process for medical sodium hyaluronate injection through extraction from rooster combs. The production time for the critical processes, (i) sodium hyaluronate gel preparation and (ii) dissolution typically take a total of approximately 48 hours.

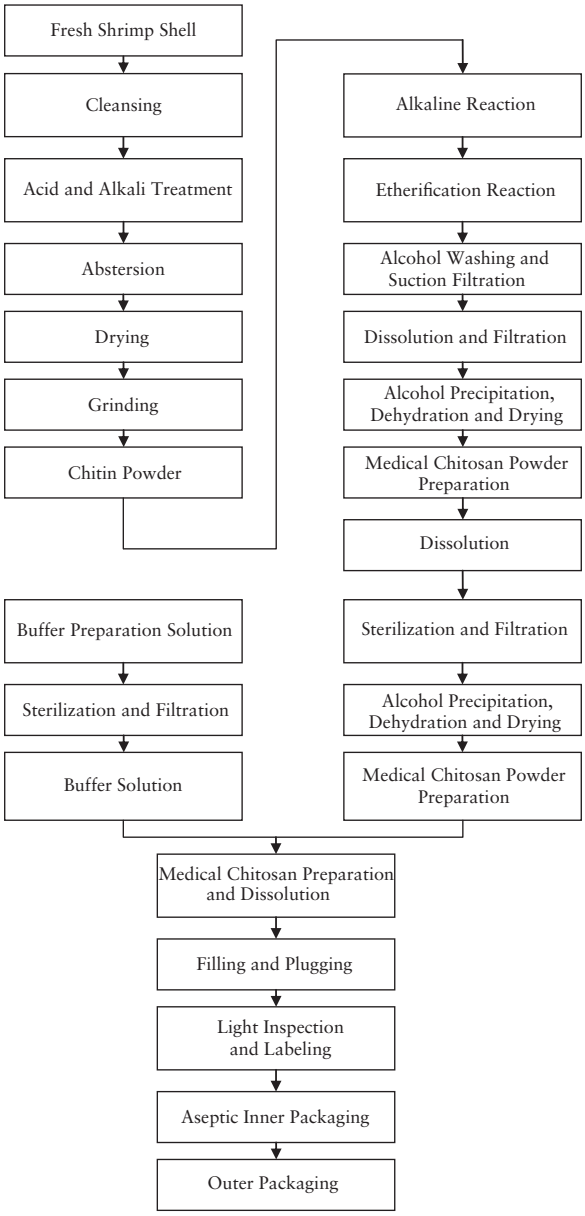


Production Process for Medical Sodium Hyaluronate Products by Fermentation

Apart from using the extraction from rooster combs method described above, HA powder, which is one of our key raw materials, can also be produced by the fermentation method for our further processing into medical sodium hyaluronate injection and medical hyaluronate gel products. The HA powder production method is typically indicated in the registration certificate of each product. During the Track Record Period, we had purchased from independent third parties the HA powder used as the raw material for Shanghai Qisheng and Shanghai Jianhua's production of their medical hyaluronate gel products, and all such HA powder was made by the fermentation method. The aggregate revenue of Shanghai Qisheng and Shanghai Jianhua from the medical hyaluronate gel products made of the HA powder by the fermentation method (as indicated in the registration standard and registration certificate of the relevant product) was approximately RMB93,807,000, RMB96,889,000 and RMB121,647,000, for the three years ended December 31, 2012, 2013 and 2014 respectively, representing approximately 43.8%, 33.0% and 34.3% of our total revenue from the medical sodium hyaluronate injection and medical hyaluronate gel products, for the same years.

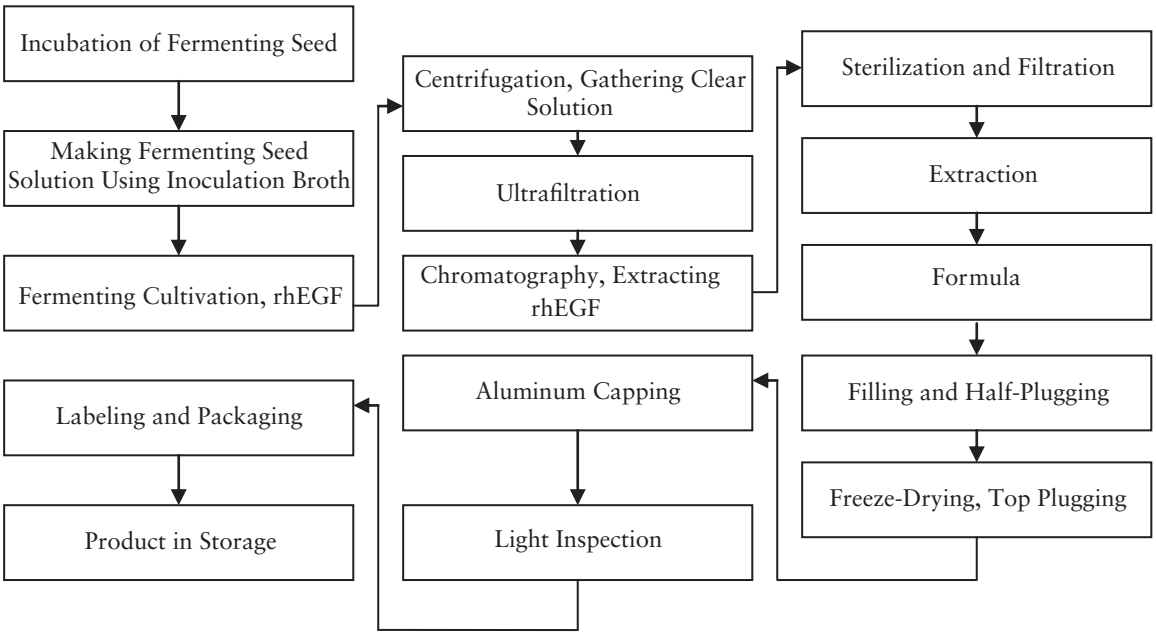
Production Process for Medical Chitosan (醫用幾丁糖)

The following diagram summarizes the production process for medical chitosan. The production time for the critical process, medical chitosan preparation and dissolution, typically takes approximately 336 hours.



Production Process for rhEGF (重組人表皮生長因子)

The following diagram summarizes the production process for rhEGF. The production time for the critical processes, (i) fermenting cultivation; (ii) chromatography and extracting rhEGF and (iii) freeze drying, typically take approximately 22 hours, 26 hours and 20 hours, respectively.



Our Production Facilities

Our production activities are currently carried out at three facilities, all of which are located in Shanghai, China. We own all of our production lines and equipment. In addition, we own the production facility of Haohai Biological, which are located in Songjiang District, Shanghai, while we lease the production facilities of Shanghai Jianhua and Shanghai Qisheng, which are located in Xuhui District and Minhang District in Shanghai, respectively. We have obtained drug/medical device production licenses for all our production facilities, GMP certifications for all our production lines for pharmaceutical products, and registration certificates for all our products. We regularly conduct maintenance and repair work in compliance with GMP and other certification requirements.

The following table sets forth the designed production capacity, actual production volume and utilization rates of our production facilities for the periods indicated:

	For the year ended December 31,								
	2012			2013			2014		
Production Facility	Designed production capacity[1]	Actual production volume	Utilization rate	Designed production capacity[1]	Actual production volume	Utilization rate	Designed production capacity[1]	Actual production volume	Utilization rate
	('000 units)		(%)	('000 units)		(%)	('000 units)		(%)
Haohai Biological									
- Sodium hyaluronate	1,350	1,957.8	145.0%	1,350	2,717.0	201.3%	5,000	3,464.9	69.3%
- rhEGF	300	279.8	93.3%	300	473.5	157.9%	1,000	566.3	56.6%
- API	200(kg)	166.1(kg)	83.1%	200(kg)	269.6(kg)	134.8%	300(kg)	236.2(kg)	78.7%
Shanghai Qisheng									
- Sodium hyaluronate/ Chitosan injection	1,925	2,649.8	137.7%	1,925	510.8	26.5%	4,500	3,500.8	77.8%
- Collagen sponge	50	71.5	143.0%	50	0	0.00%	500	159.9	32.0%
- Lubricant eye drops	—	0.5	—	—	0.6	—	1,000	109.6	11.0%
- Chitosan solution	—	—	—	—	—	—	300	—	—
Shanghai Jianhua									
- Sodium hyaluronate	500	372.5	74.5%	500	801.0	160.2%	700	493.2	70.5%

(1) The designed production capacity for a production line is computed based on eight hours of production per day and 250 working days per year.

(2) The designed production capacities in the table above are calculated based upon the specifications of the relevant equipment and the feasibility study reports. In order to meet increased market demand or in preparation of the upgrade of our production facilities, we have been able to realize actual production volumes exceeding the relevant designed production capacity by improving our management of the relevant production facilities through increasing our filling frequency, operating our production facilities for more than eight hours per day or increasing working days to increase the turnover rate and production efficiency. As advised by our PRC Legal Advisers, we are not in violation of any PRC laws and regulations when our actual production volume exceeds the relevant designed production capacity.

Haohai Biological Facility

Our Haohai Biological facility, which comprises manufacturing plants, offices and a laboratory for research and development purposes, occupies a site of approximately 33,000 square meters with a total gross floor area of approximately 18,000 square meters. Our Haohai Biological facility obtained the new GMP certification for its biopharmaceutical and API products in April and September 2014, respectively, which is valid for a term of five years. As of December 31, 2014, we operated three production lines at the Haohai Biological facility, including the production line for our medical sodium hyaluronate products through the extraction from rooster combs as active pharmaceutical ingredients. The key products produced at the Haohai Biological facility are sodium hyaluronate injection/gel products, rhEGF products and the API for sodium hyaluronate products. The lower utilization rate of our production lines at Haohai Biological in 2014 was primarily due to the fact that the new production lines at Haohai Biological were not in operation until it obtained the new GMP certification in the second quarter of 2014 while we assumed the designed production capacity had been increased at the beginning of the period.

Shanghai Qisheng Facility

Our Shanghai Qisheng facility, which comprises manufacturing plants, offices and a laboratory for research and development purposes, currently occupies a site of approximately 4,900 square meters with a total gross floor area of approximately 10,000 square meters. After the renovation and upgrade of the production facilities at Shanghai Qisheng were completed in 2013, Shanghai Qisheng obtained the medical device production quality management certification by CFDA. As of December 31, 2014, we operated five production lines at the Shanghai Qisheng facility, which manufactures medical sodium hyaluronate, medical chitosan, collagen sponge, lubricant eye drops and dermal filler products.

The lower utilization rate of our production lines at Shanghai Qisheng in 2013 was primarily due to the fact that Shanghai Qisheng was not in operation during the first nine months in 2013 as a result of its renovation to comply with the new medical device production quality management certification by CFDA. In addition, the lower utilization rate of our production lines at Shanghai Qisheng in 2014 was primarily due to the fact that the production lines of collagen sponge and lubricant eye drops at Shanghai Qisheng commenced operations in the first quarter and third quarter of 2014, respectively, and were in the process of ramping up their respective sales.

Shanghai Jianhua Facility

Our Shanghai Jianhua facility, which comprises manufacturing plants, offices and a laboratory for research and development purposes, occupies a site of approximately 1,900 square meters with a total gross floor area of approximately 1,000 square meters. Shanghai Jianhua renewed the medical device production quality management certification by CFDA in 2013. As of December 31, 2014, we operated one production line at the Shanghai Jianhua facility for manufacturing of our medical sodium hyaluronate products.

The lower utilization rate of our production line at Shanghai Jianhua in 2014 was primarily due to the technical upgrade conducted by Shanghai Jianhua in early 2014, which substantially increased its designed production capacity.

Future Expansion and Upgrade Plan

We plan to obtain new product licenses such as drug manufacturing permit for sodium hyaluronate API via fermentation, and increase our production capacity and further expand our product offerings by constructing new production lines as well as upgrading existing production lines and production facilities. We adopt a phase-by-phase approach in our expansion plan, primarily taking into consideration of our projected sales. We continually re-evaluate our capital expenditures and the timing of our pipeline projects based on market demand for our products, the progress of the development of our pipeline products and technological developments that are relevant to our production process. Shanghai Likangrui production facility is our production facility under construction. We have completed the construction of the buildings and civil engineering works. We expect the raw materials production line of Shanghai Likangrui production facility will be completed and commence operations in 2015. We expect to complete our currently contemplated expansion

plan of the Shanghai Likangrui production facility in 2017. The following table sets forth additional details of our expansion and upgrade plans in respect of each of our current and planned production facilities and the corresponding estimated capital expenditure for the period indicated:

Production facility	Estimated capital expenditure through 2017	Description
Shanghai Likangrui (under construction). .	RMB190.0 million	Construction of four new production lines involving fibrin sealant products, collagen sponge products and sodium hyaluronate/ chitosan products and raw materials, respectively.
Haohai Biological (existing facilities) . . .	RMB 190.0 million	Upgrading existing production lines and expanding production capacity for pipeline products including ophthalmology gels.
Minhang facility*	RMB 250.0 million	Construction of production lines for sodium hyaluronate, chitosan, collagen sponge and lubricant eye drop products, respectively.

Note: *We are in the processing of obtaining the land for constructing the new production facility in Minhang District, Shanghai. For further details, please refer to "— Land and Properties — Title Defects Regarding our Leased Production Facilities — Backup Plans for Our Leased Production Facilities at Shanghai Qisheng and Shanghai Jianhua — 2. Long-term relocation plan".*

Upon completion of our currently contemplated expansion and upgrade plan, we expect the annual production capacity of these production facilities to be 16.0 million units of sodium hyaluronate injection and medical sodium hyaluronate gel products, 4.0 million units of medical chitosan products, 2.0 million units of rhEGF products, 3.0 million units of collagen sponge products, 2.0 million units of lubricant eye drop products, 1.0 million units of fibrin sealant products, and 1,300 kilograms of sodium hyaluronate/chitosan raw materials, respectively. The principal raw materials for producing sodium hyaluronate raw materials through fermentation method (i.e., HA powders) are yeast, peptone and alcohol, which are generally available in the market. With our self-production of sodium hyaluronate raw materials, we expect our unit cost for HA powder will be lower and our gross profit margin will increase slightly. We believe the following factors substantiate sufficient market demand for the expected increase in our production capacity:

- the historical growth rates of our sales of key products; and
- our strategy to deepen our market penetration and expand our coverage of hospitals and other medical institutions through efficient sales and marketing efforts.

In addition, we believe the contemplated upgrades to our production facilities would increase the efficiency of our production processes, equip us with new production technologies for our product candidates and allow us to continue to maintain an effective quality management system for our products.

We currently expect that our expansion and upgrade plan will require further capital expenditures. In 2015, 2016 and 2017, our estimated aggregate capital expenditure for the currently contemplated expansion and upgrade plan is expected to amount to approximately RMB630.0 million. We expect

to fund these capital expenditures through a combination of operating cash flows and the net proceeds from the Global Offering. Please refer to "Future Plans and Use of Proceeds" for further details of our use of proceeds from the Global Offering in connection with capital expenditure projects to increase our production capabilities.

Quality Management

We believe that an effective quality management system is critical to ensure the quality of our products and maintaining our reputation and success. We are required to adhere to the quality standards specified under our GMP and the medical device production quality management certificate in China, and we have obtained CE certification with respect to certain of our products. In addition, we have been granted ISO9001:2008 and ISO13485:2003 certificates for our quality management system.

We have established and maintained a systematic quality management system and strict standard operating procedures for our quality control and assurance functions. Our quality management department consists of quality assurance division and quality control division led by our quality managers. As of December 31, 2014, our quality assurance division had 16 employees, most of whom have pharmaceutical or related educational backgrounds. The quality assurance division is responsible for formulating and implementing procedures under our quality management system in accordance with the GMP requirements and that our product supply chain and production processes are in compliance with stipulated standards and procedures. As of December 31, 2014, our quality control division had 31 employees, most of whom have pharmaceutical or related educational backgrounds. The quality control division is primarily responsible for the inspection of incoming raw materials, semi-finished products and final products, as well as reviewing the stability of samples. Each of our production facilities has an integrated quality management team independent from the production team led by the general manager of the facility. We also conduct regular training so that our dedicated quality managers understand the regulatory requirements applicable to our operation of the production facilities. New employees at our production facilities receive training pertinent to their job duties, which cover topics such as pharmaceutical/medical device related regulations, production safety knowledge, GMP certification requirements, as well as procedures and protocols relating to quality control.

In order to satisfy the GMP certification requirements, we have established a systematic documentation system on quality management, which we believe helps us minimize risks of potential quality issues. We undertake quality inspections and document our quality control procedures at different stages of our production process from the procurement of raw materials to delivery of our products to our customers. The key aspects of our quality control procedures are as follows:

Raw Material Quality Control

We purchase raw materials only from approved suppliers. All approved suppliers are selected by our quality assurance division, which conducts background checks on supplier candidates. Upon receiving satisfactory results of the checks, we order samples from the potential supplier for inspection. Our quality control division inspects the quality of each batch of supplies for consistency.

Our quality management department examines our incoming raw materials before sampling to confirm they are supplied from approved suppliers. Our warehousing personnel also inspect and verify the raw materials by cross-checking the packaging information. Incoming raw materials are stored in quarantined areas upon receipt until they are released for use following inspection. The quality management department subsequently selects samples for testing.

We have established a supply chain traceability system. Incoming raw materials are required to have certificates of analysis from our manufacturers, as well as delivery sheets and purchase orders. We also assess our suppliers by carrying out on-site audits or off-site information assessment to ensure they comply with the relevant GMP requirements.

Production In-process Quality Control

Our quality assurance division is responsible for verifying that our manufacturing processes continue to comply with GMP standards. We require our production operators to adhere to standard operating and equipment operation procedures and the quality assurance division regularly inspects our production processes on-site. Our quality control division conducts sample testing on certain in-process products and semi-finished products at particular stages of production as required by approved procedures.

Final Product Quality Control

Each batch of our products is subject to a sample inspection by the quality control division. Before we deliver our final products to customers, the quality assurance division inspects the documentation relating to the quality of a product, including its batch records, laboratory control records, production process records and other information that may impact product quality. Authorized quality personnel conduct final review on all documents and make the final decision as to whether a specific product can be released for sale. Final products that do not meet our quality standards are destroyed or otherwise disposed of based on the judgments of our authorized quality personnel. Only final products that have passed all testing requirements can be released and sold to the market.

Inventory Management

Our inventory consists of raw materials (including glass syringes, HA powder and alcohol), work in progress and finished goods. We have established an inventory management system that monitors each stage of the warehousing process. Warehousing personnel are responsible for receiving, inspection, warehousing, storage and distribution of raw materials and finished products. All materials and products are stored in different areas in warehouse according to their storage condition requirements, properties, usage and batch number. Warehousing personnel regularly check to ensure consistency among the raw material or product, logbook and material card. We set the safety inventory level for both our raw materials and finished products at no less than three months' stock. In practice, our raw materials may be kept at a higher level as a result of our bulk purchase for a more favorable purchase price, and we may maintain our finished products at a higher level in anticipation of renovation or upgrade of our production facilities that may temporarily reduce our production.

SALES AND MARKETING

We generate demand for our pharmaceutical and medical device products from hospitals and other medical institutions through our sales and marketing activities, including academic promotion. We sell our pharmaceutical and medical device products primarily to our distributors who, in turn, sell our products to hospitals and other medical institutions, either directly or through their sub-distributors. We also maintain an in-house sales force to market and sell our medical device products directly to certain key hospitals in major cities in China. During the Track Record Period and as of the Latest Practicable Date, substantially all of our pharmaceutical and medical device products were sold to hospitals and medical institutions in China.

Each of us and our subsidiaries maintain their own sales teams and distribution networks. In addition, we maintain a marketing department, a business department and a sales department at our headquarters to coordinate the overall sales and marketing strategies and efforts. As of December 31, 2014, our marketing, business and sales departments had 105 trained employees. Our marketing department primarily focuses on the positioning of our products, marketing campaign, liaising with the doctors, as well as working closely with our research and development department to plan for new product offerings. Our business department primarily focuses on the communications with the distributors, pricing of our products, preparation of bidding materials and participating in tender processes, tracking our products and the collection of accounts receivables. Our sales department primarily focuses on liaising with the hospitals and doctors to provide the doctors with better knowledge of our products, as well as to monitor any potential adverse drug reaction or other feedbacks from the doctors and the patients.

Marketing

Led by our marketing department, we focus our marketing efforts on establishing relationships and growing our brand recognition among doctors and hospitals. Our marketing department is responsible for developing our overall marketing strategies and we have a dedicated medical affairs team that handles doctors training and interfaces with doctors in respective therapeutic areas in China. In addition, our marketing department coordinates with various other departments involved in our marketing and promotion activities, and is responsible for new product pre-marketing strategy.

We have established a network with doctors across a range of therapeutic areas in China, including ophthalmology, orthopedics, general surgery, gynecology and plastic surgery. We help doctors develop their understanding of the clinical benefits and risks of our products as compared to other treatment options existing in China by informing them the technical and clinical aspects of our products or facilitating their participation in clinical trials and post-market studies on or related to our products. Subsequently, we may invite doctors to share their views or the outcomes from the clinical trials and post-market studies with other participants at various academic conferences, seminars and symposiums. We do not pay any remuneration to doctors or reimburse their travel and conference related expenses for their activities relating to our products.

We believe that we have enhanced our brand reputation and sales through targeted marketing programs. We focus on educating and training doctors by regularly organizing regional training programs, hosting product launch meetings, attending product and academic conventions and cooperating with doctors in various therapeutic areas. In addition, we host program meetings for

key participants in our industry with respect to our research and development efforts and product pipeline. We also provide our distributors with technical support, including training in the basic technologies of our products, participating in presentations to potential end-customers, and assisting in preparing documents for contracts awarded through competitive bidding and tenders. We may from time to time coordinate with and require our distributors to conduct certain promotional or marketing activities in connection with our products, and we will reimburse the expenses in relation to such promotional and marketing activities incurred by our distributors.

Our marketing team also works closely with our business and sale departments to form our marketing strategies, as well as with our research and development and manufacturing teams during our product development process to ensure that we address the needs and demands of our end-customers in our new products.

Distribution

Under the current regulatory scheme in China, sales of pharmaceutical and medical device products to public hospitals are required to be conducted by qualified pharmaceutical and medical device distribution companies. Most of our customers are located across China, and we primarily sell our products through our nationwide distribution networks consisting of over 1,300 distributors across all provinces, municipalities and autonomous regions in China. As of December 31, 2014, our distribution network covered over 1,700 or 90% of all Class III hospitals and over 3,000 or 40% of all Class II hospitals in China. In 2012, 2013 and 2014, we derived revenues of RMB247.8 million, RMB331.9 million and RMB437.6 million from the sale of our products to our distributors, which accounted for approximately 81.8%, 82.7% and 84.8% of our total revenue, respectively.

The following table sets forth the total number of our distributors as of December 31, 2012, 2013 and 2014, respectively, and net increase or decrease in the number of distributors during the period indicated:

	December 31,		
	2012	2013	2014
Distributors at the beginning of the period	1,193	1,278	1,267
Termination of existing distributors	399	429	359
Addition of distributors	484	418	415
Net increase (decrease) in distributors	85	(11)	56
Distributors at the end of the period	1,278	1,267	1,323

During the Track Record Period, our business relationships with certain distributors were terminated due to various reasons, including (1) change in the distributors' product mixes that no longer contain our products; (2) we determined that the targeted hospitals and other medical institutions of certain distributors would be more appropriately covered by other distributors; (3) certain distributors ceased to cover the targeted hospitals assigned to them; and (4) the CFDA re-classification of our sodium hyaluronate injection products from medical device to pharmaceutical products which led to a change in the qualification of our distributors. Our Directors confirm that as at the Latest Practicable Date, the termination of our business

relationships with certain distributors during the Track Record Period did not have any negative impact to the Company. For further details of the reclassification of sodium hyaluronate injection products by CFDA, please refer to "Risk Factors-Risks Relating to Our Business and Industry-The PRC pharmaceutical industry is highly regulated. Any change in the applicable laws, regulations or standards may prevent or restrict us from conducting certain business or subject us to increased costs of compliance". We request terminated distributors to settle any outstanding balances, if any, with us as soon as possible. At the same time, we added new distributors primarily as a result of the continued expansion of our sales network. We also commenced relationships with new distributors who were designated to sell our products in the centralized tender process.

Our business department screens and selects our distributors based on a number of criteria, including their coverage of hospitals and other medical institutions, industry track record, reputation, experience, delivery capabilities, cash flow conditions and creditworthiness. None of our Directors, their close associates and any Shareholder who, to the knowledge of our Directors, own more than 5% of the registered capital of our Company have any interest in any of our top five distributors. For 2012, 2013 and 2014, our revenue from sales to our five largest distributors was RMB34.2 million, RMB53.8 million and RMB70.7 million, respectively, accounting for 11.3%, 13.4% and 13.7% of our total revenue for the respective period. For 2012, 2013 and 2014, our revenue from sales to our largest distributor was RMB7.7 million, RMB13.3 million and RMB17.2 million, respectively, accounting for approximately 2.6%, 3.3% and 3.3% of our total revenue, respectively. None of our distributors contributed to more than 5% of our revenue during the Track Record Period. During the Track Record Period, none of our distributors were our suppliers or vice versa.

In order to manage our distribution network and track our distributors' inventory levels and the flow of our products, our distributors will provide us with their sales report at our request. Sales of our products to distributors are generally not subject to seasonal fluctuations. We review the performance of our distributors on a regular basis and based on the results of our review, we may elect to continue our cooperation with out-performers, adjust the assigned distribution regions, and terminate or choose not to renew the contracts of those distributors who fail to meet our performance criteria.

We enter into sales contracts with all our distributors, which specify the product, specification, price, volume, delivery, payment and other terms in connection with each purchase by such distributors. To the best knowledge of our Directors, all of our distributors are independent third parties of the Company during the Track Record Period and up to the Latest Practicable Date. Further, the Company has implemented internal control measures to ensure that each of the Company's distributors for pharmaceutical products have obtained GSP certificates and each of the distributors for the Company's medical device products have obtained the medical device operation permit (醫療器械經營許可証) as at the Latest Practicable Date. In addition, our distributors are required to inspect the products on delivery, and except for products with quality issues, products that have been accepted on delivery are not eligible for returns. Our distributors purchase our products and, in turn, sell such products to hospitals and other medical institutions either directly or through their sub-distributors. Our distributors are primarily responsible for the delivery of

products to hospitals and other medical institutions. In general, our sub-distributors are engaged directly by our distributors and we do not directly contract with sub-distributors. To the best knowledge of our Directors, all sub-distributors are Independent Third Parties, the scope of services of sub-distributors is the same as that of distributors.

In 2012, 2013 and 2014, we entered into framework distribution agreements with 10, 28, and 67 distributors, respectively, in addition to sales contracts. As the Group's distribution network contains over 1,300 distributors, the Directors believe that negotiating and entering into a framework distribution agreement with each of the Group's distributors would lower the Company's operational efficiency. For example, some distributors may only distribute a small volume of products or may conduct procurement less frequently. Historically, the Company had selectively identified distributors with larger transaction amounts or otherwise to be considered important and entered into framework distribution agreements with these distributors. In addition to the transaction amount with the Company (subject to a threshold of RMB1.0 million), the Company also took into account (i) the length of the contractual term and (ii) the potential for a strategic relationship when identifying important distributors with whom it would like to enter into framework distribution agreements. However, as our scale of operation increases with expanded geographical coverage of distribution network and new product offerings, more and more distributors have entered into written distribution agreements with the Company progressively throughout the Track Record Period. During the Track Record Period, distributors that entered into framework distribution agreements with the Company contributed to 8.1%, 27.9% and 56.6% of the Company's total revenue generated from all the distributors for the years ended December 31, 2012, 2013 and 2014 respectively.

To summarize, the major differences between our sales contracts and our framework distribution agreements are as follows:

Major terms	Under sales contracts	Under framework distribution agreements
Length of term	Not specified	Typically one year
Agreed annual sales target	No such requirement	Contain such requirement
Deposit	No such requirement	Require distributors to pay a deposit pursuant to the agreement, and the Company has the right to terminate the agreement if the distributor does not pay or underpays the deposit
Credit terms	Not specified	30 to 60 days for our major distributors of pharmaceutical products, and up to 30 days for some of our distributors of medical device products

Starting from 2015, we enter into a framework distribution agreement with each of our distributors when they purchase products from us. The framework distribution agreements specify the relevant products to be distributed and the geographic regions and hospitals for which the distributor is

responsible. Our agreements with distributors generally also specify an agreed annual sales target. We set pricing under the distribution agreements primarily based on a discount to the sales price to hospitals and other medical institutions in the specified region. We generally grant our major distributors of pharmaceutical products credit terms of 30 to 60 days and some of our distributors of medical device products credit terms of up to 30 days with whom we have good relationships. We take into consideration a number of factors in determining the credit term of a distributor, in particular its previous payment history. In addition, our distributors are required under the framework distribution agreement to inspect the products on delivery and products that have been accepted are not eligible for returns. If there is any quality issues with our products, we are required to recall relevant products according to applicable PRC regulations. If there is any non-quality issues of our products, such as exchange of products between different specifications or damaged external packaging, the distributors shall notify us within three days upon delivery and the products will be exchanged only after our consent is obtained. We did not experience any product return due to quality issues in connection with our products during the Track Record Period. We incurred de minimus product exchange due to certain non-quality issues during the Track Record Period, the amount of which ranged from approximately RMB0.2 million to RMB0.3 million in each year.

We rate each distributor annually based on various criteria, including, among other things, its annual purchase amount, credit history, distribution capability, geographic location, years of business relationship with us and financial conditions. All distributors for our pharmaceutical products are required by GSP regulations to ensure that their sales of products are only made to qualified purchasers, for example, GSP-certified sub-distributors or licensed medical institutions. Indirectly, the performance of sub-distributors appointed by our distributors is managed through our arrangements with our distributors and their ability to satisfy the agreed minimum annual purchase requirements. We do not provide rebate or incentive to our distributors. However, we may from time to time, at our discretion, offer selected distributors more favorable credit terms for their purchases.

We manage cannibalization risk among distributors and sub-distributors through our agreements with our distributors, which specify the relevant products to be distributed and the geographic regions for which the distributor is responsible. The agreements prohibit distributors from selling our products outside their respective designated geographical regions, either directly or through their sub-distributors, without our prior written consent. Further, during the Track Record Period, the Company effectively managed its distribution network by the implementation of a hospital entry authorization system through which the Company is able to keep track of its products. Under such system, the Company provides letters of authorization to each distributor, specifying the names of the hospitals or geographical area such distributor is authorized to distribute the Group's products to. In the event any distributor of the Company sells products in geographic regions or hospitals which are authorized to be covered by other distributors, it is expected that the Company will receive reports or complaints from the affected distributors within a short time. As such, the Company believes the cannibalization risk is not material.

We generally have the right to terminate our distribution agreements for material breaches, subject to certain cure periods. Our distribution agreements require distributors to comply with all applicable laws and regulations, including, among other things, anti-bribery laws and regulations.

Sales and Customer Support

In addition to our extensive distribution networks, we maintain an in-house sales force to market and sell our medical device products directly to certain hospitals in major cities such as Shanghai or Beijing. In 2012, 2013 and 2014, our revenue generated from direct sales accounted for 18.2%, 17.3% and 15.2% of our total revenue, respectively. Our in-house sales force is also responsible for after-sales services, including, among others, receiving feedbacks from the hospitals, other medical institutions and end-users and handling any complaints with regard to the quality of our products. Quality complaints, both verbal and written, are documented and investigated pursuant to standard procedures. We have dedicated personnel who take complaint calls and regularly review and analyze the feedback received. We treat such feedback and complaints seriously. Upon receipt of a complaint, we conduct investigations and ensure necessary measures are taken. We provide product warranty in accordance with applicable PRC laws and regulations and have established product recall procedures and prescribed recall guidelines and processes, which specify responsible person to notify upon a recall and the handling procedure of recalled products. We carry out mock recall procedures once a year to ensure that our recall procedures are effective. As of the Latest Practicable Date, we had not recalled any of our products due to quality issues.

In order to further strengthen our sales force and to supplement the coverage of our distribution network, we invested in Shanghai Baiyue, which owns a permit for medical device distribution enterprise, in 2015. On February 3, 2015, Shanghai Baiyue became a non-wholly owned subsidiary of our Company and we own a 60% equity interest in Shanghai Baiyue. While Shanghai Baiyue currently is a new subsidiary of the Group and does not have any significant operations, we expect Shanghai Baiyue to engage in the distribution of our medical device products going forward, and such distribution activities will not overlap with those of our existing distributors.

PRODUCT PRICING

Pricing of pharmaceutical and medical device products in China is heavily regulated. Our management analyses government policies and regulations in order to develop our product pricing strategies for the PRC public hospital centralized tender process and procure our products' entry into the national Medical Insurance Catalogue and provincial Medical Insurance Catalogues at appropriate pricing levels.

A substantial portion of the products we sell to our customers are then sold to public hospitals and other medical institutions owned or controlled by government authorities in China. Each public medical institution must make substantially all of their purchases of pharmaceutical and medical device products through a centralized tender process. The centralized tender process is held in different provinces and cities with varying terms, procedures and rules and is usually organized at the national, provincial or city levels. Please refer to "Regulatory Overview — PRC Laws and Regulations Relating to Centralized Procurement and Tender Process" for further details of the tender process in China. Each centralized tender process typically applies to all products included in the relevant Medical Insurance Catalogues and specifies product formulations or specific product brands available for tender. The selection of the winning bidder is based on a number of criteria, including bid price, product quality, clinical effectiveness, qualifications and reputation of the manufacturer and after-sale services. The successful bid price in the tender process dictates the price at which distributors sell the relevant product to the relevant public medical institutions. If we are successful in winning bids in a centralized tender process, the relevant products will be sold to the

public medical institutions at the bid prices, which in part determine the prices at which we sell our products to our distributors. The centralized tender process can create pricing pressure among substitute products or products that are perceived to be substitute products. Our bidding strategy generally focuses on differentiating our products instead of competing solely based on pricing.

Our sodium hyaluronate injection and rhEGF products included in the Medical Insurance Catalogues are subject to price controls by the NDRC, either at the national level or the provincial level. The provincial level counterparts of the NDRC also set the non-mandatory guidance prices for our medical device products. Price controls are mainly in the form of maximum retail prices. From time to time, the NDRC publishes and updates a list of pharmaceutical products that are subject to price controls, either at the national level or the provincial level. Retail prices of pharmaceutical products under price controls are determined based on a variety of factors, including the profit margins that the relevant government authorities deem reasonable, the product's type, quality and production costs, as well as the prices of substitute pharmaceutical products.

As of the Latest Practicable Date, our sodium hyaluronate injection and rhEGF products were included in the national Medical Insurance Catalogue and subject to price control. For 2012, 2013 and 2014, our revenue from sales of these two products accounted for approximately 32.5%, 43.6% and 46.1% of our total revenue for the respective period. In 2012, the NDRC lowered maximum retail prices of medical sodium hyaluronate injection and rhEGF by approximately 5.0% and 4.9%, respectively. The lowered maximum retail prices of such products did not negatively impact our respective selling prices, and therefore our revenues and gross profit margins were not adversely impacted. In January 2015, the relevant government authorities of Zhejiang and Hunan provinces have launched a new round of price bidding for pharmaceutical products. According to the proposed plans (浙江省2014年藥品集中採購(第二批)實施方案) issued by the relevant government authority of Zhejiang province, the prices of pharmaceutical products centrally procured in Zhejiang province shall be lowered by 10% or more. In Hunan province, the price for our sodium hyaluronate injection (which is not yet finalized) may be lowered by approximately 17%. As the revenues from our sale of the relevant products in Hunan and Zhejiang provinces are immaterial, the Directors do not expect these changes will materially impact our revenue or gross profit margin.

The PRC government authorities do not impose restrictions over the prices at which pharmaceutical or medical device products may be sold to distributors, hospitals and other medical institutions; however, maximum retail prices indirectly limit the selling prices at which we can sell the relevant products to our distributors. We set the selling prices for our products to our distributors by taking into account factors such as the successful bidding prices with hospitals, our costs of production, our gross profit margins, and the margins for our distributors. There is usually a reasonable gap between the maximum retail prices and our average selling prices to distributors. In the event of any reduction of maximum retail price, if necessary we are able to adjust our selling prices at our discretion provided that such selling prices do not exceed the maximum retail prices set by the NDRC for our products that are subject to price controls and allow reasonable margins for the other parties on the value chain, such as distributors, hospitals and other medical institutions. Please refer to "Regulatory Overview — PRC Laws and Regulations Relating to the National Medical Insurance Program and Price Controls of Pharmaceutical Products" for further details of relevant PRC regulations governing pricing.

RAW MATERIALS AND SUPPLIERS

The raw materials required for the production of our products are generally available in the market. The principal raw materials used for our production include glass syringes, HA powder and alcohol. During the Track Record Period, substantially all of the glass syringes and a small portion of the HA powder we purchased were produced by foreign manufacturers, while the remaining raw materials were sourced domestically. We believe we have alternative sources for our principal raw materials that can provide us with substitutes with comparable quality and prices. We have not experienced significant difficulties in maintaining reliable sources of supplies and expect to be able to maintain adequate sources of quality supplies in the future. The purchase price of our raw materials is primarily based on the prevailing market price for raw materials of similar quality. We generally contract with more than one supplier for each major type of raw materials. We believe short-term agreements with raw material suppliers provide us with the flexibility to re-negotiate prices when there are fluctuations in our raw material prices. We do not believe we have experienced any discernible trends in raw material costs during the Track Record Period. We have not experienced any significant fluctuations in raw material costs that had a material impact on our results of operations or gross profit margins during the Track Record Period. We may elect to enter into supply agreements with longer terms on a case-by-case basis.

For 2012, 2013 and 2014, our purchases from our five largest suppliers were RMB25.6 million, RMB34.1 million and RMB46.1 million, respectively, accounting for approximately 68.2%, 75.6% and 72.1%, of our total purchases for the respective period. Our purchases from our largest supplier, Becton Dickinson Medical Devices (Shanghai) Co., Ltd., who is our supplier of injectors, were RMB12.4 million, RMB19.6 million and RMB35.4 million, respectively, accounting for approximately 33.0%, 43.5% and 55.4%, of our total purchases for the respective period. We had a concentration of our injector and HA powder suppliers during the Track Record Period in order to benefit from scale of economies and ensure the stability of our raw material supplies.

None of our Directors, their close associates and any Shareholder who, to the knowledge of our Directors, own more than 5% of the issued share capital of our Company have any interest in any of our top five suppliers. We carefully select our suppliers based on various factors, including their product selection, quality, reputation and business scale.

RESEARCH AND DEVELOPMENT

We believe our research and development capabilities will be the driving force behind our long-term competitiveness, as well as our future growth and development. Our market-driven research and development efforts focus on developing products that address rapidly growing clinical needs within China, as well as improving the efficiency of our existing products. We conduct our research and development activities primarily through our internal research and development team, and, to a lesser extent, collaborate with external research partners from time to time to pursue specific research topics. We have maintained the high new technology enterprise qualification in China since 2008, and our research and development expenses accounted for 5.8%, 5.9% and 5.1%, respectively, of our revenues in 2012, 2013 and 2014.

Our Internal Research and Development

We focus on research and development projects in connection with the application of medical sodium hyaluronate, medical chitosan and other absorbable biomedical materials that can be used for the orthopedics, anti-adhesion and hemostasis, ophthalmology and wound care and tissue filling areas. As of December 31, 2014, our research and development team consisted of 100 employees, including five Ph.D. degree holders and 23 Master's degree holders in medical, pharmaceutical and other related areas. Our research and development team conducts drug discovery, formulation development, process development, analysis, pre-clinical studies, clinical studies, registration and intellectual property management. In addition, our research and development team undertakes projects to improve our manufacturing activities.

Each of our research and development projects is subject to the approval by our science and technology committee. The science and technology committee reviews project study reports and development planning papers on product candidates and makes final decisions on whether to carry out a research and development project. We carefully review the proposals prepared by our research and development team, and seek assistance from external consultants and industry experts to facilitate our evaluation. If a research and development project is approved by our science and technology committee, the project manager is responsible for implementing the approved research and development project. We also conduct periodic reviews of our on-going research and development projects and may elect to suspend or discontinue projects that are not making satisfactory progress.

Our standard employment contracts include confidentiality clauses prohibiting our employees, including our research and development personnel, from disclosing trade secrets to any third party. We may also enter into additional confidentiality agreements with certain research employees that provide that all relevant intellectual properties developed by our research and development staff during their employment with us become our intellectual properties and are treated as trade secrets.

Collaboration with Research Partners

We have entered into collaboration arrangements with overseas and domestic pharmaceutical companies, research institutions and universities to jointly carry out research and development of new pharmaceutical and medical device products, as well as to enhance our own research and development capabilities. We collaborate with co-development partners to further broaden our access to proprietary products and leverage their established research and development platforms, thereby minimizing the upfront costs and risks associated with early stage product development. Our research partners have included, among others, The Second Military Medical University, Shanghai Jiao Tong University and Chinese Academy of Sciences Shanghai Institute of Ceramics.

The terms of our collaboration arrangements for research projects vary, depending on the subject and nature of the research and our commercial arrangements with our research partners. Our research and development team may take a leading role in the design and execution of the research projects and participate in the research work, including pre-clinical research and development, preparation and submission of applications for clinical trials, management of clinical trials, information collation and application for regulatory approvals. In addition to our participation in

this research and development work, we generally provide the funding for these joint research and development projects. We are typically entitled to intellectual property rights developed in such research and development projects, or are granted a right of first refusal in connection with the intellectual property rights developed under such research and development projects.

We intend to continue our collaborations with external research partners and believe these collaborations will enable us to gain valuable know-how and further strengthen our research and development capabilities.

INTELLECTUAL PROPERTY RIGHTS

We believe intellectual property rights are important to protect our technologies, inventions and improvements, as well as to maintain the market share of our products. As of the Latest Practicable Date, we had been granted 23 patents and had 18 pending patent applications which are important to our business. Among the products we currently manufacture and sell, our medical chitosan, rhEGF, medical collagen sponge and cross-linked hyaluronate injection products, representing five out of our 14 products, are patented. Our medical chitosan products contributed to 24.2%, 23.3% and 23.4%, respectively, of our total revenue during the Track Record Period and relevant patents will be valid until 2020 (formulations, preparation methods) and 2026 (preparations), respectively. Our rhEGF products contributed to 2.4%, 2.3% and 6.1%, respectively, of our total revenue during the Track Record Period and relevant patents will be valid until 2025 (preparations). Our medical collagen sponge products contributed to 2.5%, 1.2% and 1.8%, respectively, of our total revenue during the Track Record Period and relevant patents will be valid until 2025 (preparation methods). Our cross-linked sodium hyaluronate injection products launched in 2014 contributed to 5.0% of our total revenue in 2014 and relevant patents will be valid until 2026 (preparation methods). In addition, our preparation method for pipelined extraction of sodium hyaluronate through rooster combs is patented and such patent will be valid until 2030. We also had eight registered domain names, as well as 68 registered trademarks in China and Korea, among which three are in the process of extension application. Please refer to Appendix VI to this prospectus for further details of our material intellectual property rights.

In order to protect our own intellectual property rights, we enter into confidentiality agreements with our research and development employees that provide that all relevant intellectual properties developed by our research staff during their employment with us become our intellectual properties and are treated as trade secrets. Our employees are required to refrain from disclosing trade secrets to any third party. Additionally, we also follow procedures to ensure that we do not infringe on the intellectual property rights of others and we are not engaged in the sale of counterfeit pharmaceutical products.

To date, we have not been the subject of any allegation or audit by any governmental authorities in respect of infringement of any intellectual property of third parties. However, despite our internal control procedures, we are still subject to risks relating to intellectual property rights. Please refer to "Risk Factors — Risks Relating to Our Business and Industry — If we are unable to adequately protect our intellectual property, or if the scope of our intellectual property fails to sufficiently protect our proprietary rights, other pharmaceutical companies could compete against us more

directly, which may have a material adverse impact on our business and results of operations." and "— If we become subject to intellectual property infringement claims, it could divert our management's attention, impair our ability to sell our products and expose us to costs and liabilities." for further details of risks relating to intellectual property rights.

COMPETITION

We face competition from other pharmaceutical or medical device companies in and outside China that are engaged in the research, development, production, marketing or sales of innovative pharmaceutical and biomedical products.

Our products primarily compete with products that are indicated for similar conditions as our products on the basis of efficiency, product efficacy, price and general market acceptance by doctors and hospitals. The identities of our key competitors vary by product. For example, we face competition with Shandong Bausch & Lomb Limited, Shanghai Jingfeng Zhiyao Co., Ltd. and Seikagaku Corporation in our orthopedics products and AMO Uppsala AB, Shandong Bausch & Lomb Limited and LG Life Sciences, Ltd. in our ophthalmology products. Our competitors may have greater financial and research and development resources than us, may elect to focus their resources on developing, importing or in-licensing and marketing products in China that are substitutes for our products and may have broader sales and marketing infrastructure. Please refer to "Industry Overview" for further details of our major competitors in respect of our key products.

We believe that we compete primarily on the basis of brand recognition, research and development capabilities, promotion activities, sales network, product efficacy, safety, reliability and price. We believe our continued success will depend on implementation of our capabilities to develop innovative products and advanced technologies, to apply technologies to all production lines, to develop an extensive product portfolio, to maintain a highly efficient operational model, to attract and retain talented technology development personnel, to maintain high quality standards, to obtain and maintain regulatory approvals; and the capability to effectively market and promote products.

LAND AND PROPERTIES

Our Owned Properties

As of December 31, 2014, we owned two properties in Shanghai, China, with gross floor areas of approximately 6,929 square meters and 660 square meters, respectively, as well as land use rights for three land parcels of approximately 68,680 square meters in aggregate. Our owned properties are used as production facilities and administrative offices. As of December 31, 2014, none of our owned properties were subject to any encumbrance, mortgage, lien or pledge. Save for our upgrading of our existing production facility at Haohai Biological, for which we are currently in the process of applying for the building ownership certificate, we have obtained the building ownership certificates and the related land use right certificates for all our owned properties, and our owned properties have passed the fire safety inspection by the relevant government authority as required under relevant local rules and regulations.

Our Leased Properties

As of December 31, 2014, we leased six properties in Shanghai with a total gross floor area of approximately 12,860 square meters. Our leased properties are primarily used as production facilities and offices.

Title Defects Regarding Our Leased Production Facilities

During the Track Record Period, we carried out a substantial part of our production activities at the leasehold production facilities at Shanghai Qisheng and Shanghai Jianhua. The remaining part of our production activities were carried out at the Haohai Biological production facility, which is owned by us. Shanghai Qisheng mainly engages in the production of sodium hyaluronate gel, chitosan, collagen sponge and lubricant eye drops, while Shanghai Jianhua mainly engages in the production of sodium hyaluronate products. The production facility at Shanghai Qisheng is crucial to the Group's operations while the Shanghai Jianhua production facility is, individually, not crucial as it has a relatively smaller scale of operation and thus lower revenue contributions to the Group. For further details on the utilization rates of our production facilities during the Track Record Period, please refer to "Business — Our Production Facilities". Set out in the table below are the details of the respective revenue contributions from the activities carried out at our three production facilities:

	2012	2013	2014
Production Facility	**Revenue%**	**Revenue %**	**Revenue %**
Haohai Biological[(1)]	44.7	51.9	52.7
Shanghai Qisheng	47.7	41.7	41.9
Shanghai Jianhua	7.6	6.4	5.4
Total	100.0	100.0	100.0

(1) As confirmed by our PRC Legal Advisers, the Haohai Biological production facility is free from any property title defect.

Defects with respect to Shanghai Qisheng Production Facilities

On September 1, 2008, Shanghai Qisheng entered into a lease agreement with Shanghai Huacao Asset Investment Co., Ltd. (上海華漕資產投資經營有限公司) ("Shanghai Huacao"), an independent third party as the lessor, for leasing of the premises located at No. 999 Wucao Road (which was subsequently renumbered as No. 1008 Wucao Road), Minhang District, Shanghai, China, which occupied an aggregate site area of approximately 4,900 square meters and had a total gross floor area of 10,000 square meters for the buildings in use. The term of the lease is from April 14, 2008 to April 13, 2018. Under this lease agreement, Shanghai Qisheng may conduct improvement works on the building and related facilities located at the premises in accordance with its production needs, and Shanghai Qisheng did so after receiving prior consent from the lessor.

According to the collectively-owned land development land use permit (集體土地建設用地使用證), our Shanghai Qisheng production facility is constructed on collectively-owned land and the owner to the land use rights (土地權利人) is Shanghai Xinhua Biological Reagents Research and Development Institute (上海新華生物試劑研製所) ("Shanghai Xinhua"). Shanghai Xinhua was an affiliate of the predecessor of Shanghai County Huacao Industrial Company (上海縣華漕工業公司) ("Huacao Industrial"). Huacao Industrial's predecessor was operated by the then Huacao Village and was collectively-owned at the village level. After certain historical town planning changes, the collectively-owned assets of the then Huacao Village were being grouped under the administration of Shanghai Huacao. According to the notice issued by the Agriculture Commission of the Municipal

Land Resources Bureau and forwarded by the General Office of the Shanghai Municipal People's Government on opinions regarding the pilot transfer of rural collectively-owned land (《上海市人民政府辦公廳轉發市規劃國土資源局市農委關於開展農村集體建設用地流轉試點工作若干意見的通知錄》) (the "Notice on Pilot Transfer"), land users are entitled to transfer or lease out the land use rights of the collectively-owned rural land which has been acquired and paid for according to the applicable PRC laws and regulations, and as a result our PRC Legal Advisers have advised us that Shanghai Huacao is entitled to lease the subject premises to us. However, due to historical reasons, Shanghai Huacao has not obtained the building ownership certificate for the leased buildings because it was unable to obtain the permit for the rural construction planning, which was a pre-condition for obtaining the building ownership certificate. In view of the above, there is a risk that we may be forced to vacate from the Shanghai Qisheng production facility and the building may be demolished (the "Qisheng Title Defect"), but as advised by our PRC Legal Advisers, we as the lessee are not exposed to any penalty risk caused by the Qisheng Title Defect and we are not obliged to indemnify Shanghai Huacao for any penalty which may be imposed on it for not obtaining the permit for the rural construction planning and the building ownership certificate under PRC laws and regulations. In the absence of the Qisheng Title Defect, the Directors believe that there would be no difference in the rent payable to Shanghai Huacao for leasing the subject premises as the rental amount under the subject lease agreement was determined without taking into account the Qisheng Title Defect.

As of the Latest Practicable Date, the Group had not received any challenge to its rights to occupy and use the Shanghai Qisheng production facility or received any notification to vacate from the production facility. We are of the view that the buildings at our Shanghai Qisheng production facilities will not create any safety hazards on our operations because we have obtained all required production permits from the CFDA. In terms of the relocation risk, we have obtained a written confirmation (the "Qisheng Written Confirmation") from the People's Government of Minhang District, Shanghai (上海市閔行區人民政府) ("Minhang District Government"), the competent authority for issuing this written confirmation in November 2014. According to the Qisheng Written Confirmation, Minhang District Government confirmed that (i) Shanghai Qisheng shall be allowed to continue to lease the premises under the existing conditions and the Minhang District Government will not require Shanghai Qisheng to relocate, and (ii) the Minhang District Government will provide reasonable prior notice to Shanghai Qisheng if Shanghai Qisheng is required to relocate from the premises due to town planning changes. If Shanghai Qisheng is required to vacate the premises due to the Qisheng Title Defect, the Group has obtained a written confirmation from the Xinhong Street Office of the Minhang District People's Government in Shanghai (上海市閔行區人民政府新虹街道辦事處) (the "Xinhong Office"), the competent authority for issuing this written confirmation, which confirms that if the buildings with title defects are required to be demolished due to town planning changes, (i) the Xinhong Office shall notify the Group pursuant to the applicable PRC regulations, and (ii) a preparation period of not less than six months shall be provided to Shanghai Qisheng to ensure a smooth relocation of the production facilities of Shanghai Qisheng (the "Qisheng Written Confirmation on Relocation Notice"). Further, our Controlling Shareholders have undertaken to compensate us for all the losses and costs (including all demolition costs) that our Group would incur in the event that Shanghai Qisheng is required to relocate from the current leased facility due to the Qisheng Title Defect, and such undertaking will be effective until (i) the date on which the production facilities of Shanghai Qisheng

have been relocated as required by the local authorities due to Title Defects, (ii) the Controlling Shareholders and/or their associates holding in aggregate less than 30% of the voting rights at any shareholders' meeting of the Company, or (iii) the H Shares cease to be listed on the Stock Exchange.

Defects with respect to Shanghai Jianhua Production Facilities

On April 24, 2009, Shanghai Jianhua entered into a lease agreement with Shanghai Jianhua Enterprise Co., Ltd. (上海建華實業有限公司) ("Shanghai Jianhua Enterprise"), an Independent Third Party, as the lessor for leasing the premises located at No. 1285 Huajing Road, Xuhui District, Shanghai, China, which occupied an aggregate site area of approximately 1,865 square meters and had a gross floor area of approximately 950 square meters. The term of the lease is from June 1, 2009 to May 31, 2019.

According to the collectively-owned land development land use permit (集體土地建設用地使用證), the land leased by Shanghai Jianhua is collectively-owned rural land (集體用地) and the owner to the land use rights (土地權利人) is Shanghai Jianhua Enterprise Company (Microbiological Plant) (上海建華實業公司(精細生物廠)) ("Shanghai Jianhua Microbiological"). Shanghai Jianhua Microbiological was subsequently converted into Shanghai Jianhua Enterprise on June 7, 1999, and all rights and obligations of Shanghai Jianhua Microbiological were assigned to Shanghai Jianhua Enterprise. According to the Notice on Pilot Transfer, land users are entitled to transfer or lease out the land use rights of the collectively-owned land which has been acquired and paid according to the applicable PRC laws and regulations. As a result, our PRC Legal Advisers have advised us that Shanghai Jianhua Enterprise is entitled to lease the subject premises to us. However, due to historical reasons, Shanghai Jianhua Enterprise (as the successor of Shanghai Jianhua Microbiological) had not obtained the permit for the rural construction planning for the leased properties, and therefore was unable to proceed to obtain the building ownership certificate in respect of the buildings at the Shanghai Jianhua production facility as at the Latest Practicable Date. In November 2014, we also have obtained a written confirmation (the "Jianhua Written Confirmation") from Xuhui Planning and Land Resources Administration Bureau (徐匯區規劃和土地管理局), the competent authority for issuing this written confirmation, which confirms that (i) according to the detailed and controlled town planning of Xuhui District, Shanghai, the planned use of the land on which the premises are constructed remains as industrial use; and (ii) if Shanghai Jianhua is required to relocate from the premises due to town planning changes, the Xuhui Planning and Land Resources Administration Bureau shall inform Shanghai Jianhua pursuant to the applicable PRC regulations. As such, there is a risk that we may be forced to vacate from the Shanghai Jianhua production facility and the building may be demolished (the "Jianhua Title Defect"). However, as advised by our PRC Legal Advisers, we as the lessee are not exposed to any penalty risk caused by the Jianhua Title Defect and are not obliged to indemnify Shanghai Jianhua Enterprise for any penalty which may be imposed on it for not obtaining the permit for the rural construction planning and the building ownership certificate under PRC laws and regulations. In the absence of the Jianhua Title Defect, the Directors believe that there would be no difference in the rent payable to Shanghai Jianhua Enterprise for leasing the subject premises as the current rental amount was determined without taking into account the Jianhua Title Defect.

As of the Latest Practicable Date, the Group had not received any challenge to its rights to occupy and use the Shanghai Jianhua production facilities or received any notification to vacate from the production facility. We are of the view that the buildings at our Shanghai Jianhua production facility

will not create any safety hazards on our operations because we have obtained all required production permits from the CFDA. In terms of the relocation risk, the Company confirms that if Shanghai Jianhua is required to relocate due to the Jianhua Title Defect, the impact on our Company will be manageable because it will only involve the transfer of 6.25% of the Group's total production capacity for medical sodium hyaluronate gel which can be readily taken up by Shanghai Likangrui upon completion of the necessary relocation, installation and testing procedures. If Shanghai Jianhua is required to vacate the premises due to the Jianhua Title Defect, the Group has obtained a written confirmation from the Huajing Village People's Government in Xuhui District, Shanghai (上海市徐匯區華涇鎮人民政府) (the "Huajing Government"), the competent authority for issuing this written confirmation, which confirms that if the buildings with title defects are required to be demolished due to town planning changes, (i) the Huajing Government shall notify the Group pursuant to the applicable PRC regulations, and (ii) a preparation period of not less than six months shall be provided to Shanghai Jianhua to ensure a smooth relocation of the production facilities of Shanghai Jianhua (the "Jianhua Written Confirmation on Relocation Notice"). Further, our Controlling Shareholders have undertaken to compensate us for all the losses and costs (including all demolition costs) that our Group would incur in the event that Shanghai Jianhua is required to relocate from the current leased properties due to the Jianhua Title Defect, and such undertaking will be effective until (i) the date on which the production facilities of Shanghai Jianhua have been relocated as required by the local authorities due to Title Defects, (ii) the Controlling Shareholders and/or their associates holding in aggregate less than 30% of the voting rights at any shareholders' meeting of the Company, or (iii) the H Shares cease to be listed on the Stock Exchange.

Our PRC Adviser's views on various written confirmations obtained from the PRC authorities

In respect of the various written confirmations obtained from the competent PRC authorities, Grandall Law Firm (Shanghai), our PRC Legal Adviser is of the view that:

(a) considering the key functions of Minhang District Government as empowered by the relevant provisions under the Urban and Rural Planning Law of the People's Republic of China (《中華人民共和國城鄉規劃法》) and the Shanghai Urban and Rural Planning Regulations (《上海市城鄉規劃條例》), Minhang District Government is the competent authority for issuing the Qisheng Written Confirmation from the town planning administration perspective, and the Qisheng Written Confirmation is legally effective under PRC laws and regulations;

(b) considering the key functions of Xuhui Planning and Land Resource Administration Bureau as empowered by the relevant provisions under the Urban and Rural Planning Law of the People's Republic of China (《中華人民共和國城鄉規劃法》) and the Shanghai Urban and Rural Planning Regulations (《上海市城鄉規劃條例》), Xuhui Planning and Land Resource Administration Bureau is the competent authority for issuing the Jianhua Written Confirmation from the overall and detailed Shanghai town planning perspective, and the Jianhua Written Confirmation is legally effective under PRC laws and regulations;

(c) as empowered by the relevant provisions under Urban and Rural Planning Law of the People's Republic of China (《中華人民共和國城鄉規劃法》) and Certain Provisions on the Demolition of Non-compliant Buildings in Shanghai (《上海市拆除違法建築若干規定》), Xinhong Office and Huajing Government as township level authorities are responsible for carrying out enforcement actions against non-compliant buildings constructed on collective land, and they are the competent authorities for issuing the Qisheng Written Confirmation on Relocation Notice and the Jianhua Written Confirmation on Relocation Notice, respectively; and

(d) given that the Minhang District Government, the Xuhui Planning and Land Resource Administration Bureau, the Xinhong Office and the Huajing Government are the competent authorities for issuing the relevant written confirmations as described above, the contents of such written confirmations shall not be challenged by a higher level PRC government authority.

Backup Plans for Our Leased Production Facilities at Shanghai Qisheng and Shanghai Jianhua

We consider that the Jianhua Title Defect and the Qisheng Title Defect (collectively, the "Title Defects") are primarily due to reasons on the part of Shanghai Huacao and Shanghai Jianhua Enterprise as lessors who are responsible for obtaining the necessary ownership certificates. As the lessee we are unable to compel the lessors to take any immediate remedial action to rectify the Title Defects. While the perfection of the Title Defects is beyond our control, we have the following backup plans in the event that we are forced to vacate from the Shanghai Qisheng production facility and/or the Shanghai Jianhua production facility.

1. Short-term contingency plan

During the project planning stage of our future expansion and upgrade plan involving the construction of a new production facility at Shanghai Likangrui, we have considered making use of the Shanghai Likangrui production facility, which will possess the necessary conditions to cater for the potential relocation needs of Shanghai Qisheng and Shanghai Jianhua (the "Short-term Contingency Plan") upon completion of the required preparatory works. As advised by our PRC Legal Advisers, we have obtained the land title certificate for the Shanghai Likangrui production facility which is currently under construction. The Directors believe that the Short-term Contingency Plan is feasible on the following grounds:

(i) Shanghai Likangrui has sufficient gross floor area for housing both the existing production equipment of Shanghai Qisheng and Shanghai Jianhua as well as the new production equipment to be acquired by Shanghai Likangrui in the future, and all such production equipment can utilize the same common production and utilities systems. Therefore, no material additional cost will be incurred for converting the existing common production and utilities systems and no structural changes will be required at the new production facility of Shanghai Likangrui for implementing the Short-term Contingency Plan;

(ii) in terms of construction area, public utility system and power system requirements, the new Shanghai Likangrui production facility is designed to be capable of fully absorbing the production capacities of Shanghai Qisheng and Shanghai Jianhua when implementing the Short-term Contingency Plan;

(iii) as the production equipment currently used by Shanghai Qisheng and Shanghai Jianhua in manufacturing the core products can also be used by Shanghai Likangrui for manufacturing its products under its future expansion and upgrade plan, those equipment could be transferred to the new production facilities at Shanghai Likangrui if required, and they will be ready for production after we complete the installation and equipment testing procedures, obtain the medical device manufacturing permits and complete the change of registration particulars of the medical device registration certificates. Such transfer of production equipment will not materially affect the planned production capacities of Shanghai Likangrui;

(iv) as the products planned to be produced by Shanghai Likangrui are still at the new product approval and trial production stage, the utilization rate of the new production lines of Shanghai Likangrui at its initial stage should not be high;

(v) in the event that we are forced to vacate by the local PRC government authorities, the Minhang District Government will provide reasonable prior notice to Shanghai Qisheng pursuant to the Qisheng Written Confirmation, while the Xuhui Planning and Land Resources Administration Bureau will notify us in accordance with the applicable PRC regulations pursuant to the Jinhua Written Confirmation. We believe that means at least six months' prior notice will be provided by the local PRC government authorities based on the Qisheng Written Confirmation on Relocation Notice and the Jianhua Written Confirmation on Relocation Notice. Further, the Company has sought advice from its PRC Legal Advisers on the Qisheng Written Confirmation and the Jianhua Written Confirmation and our PRC Legal Advisers confirmed that it would be reasonable for the Company to obtain at least a six-months' period to prepare for the relocation should the need materialize in the future; and

(vi) upon receipt of any relocation notice by Shanghai Qisheng or Shanghai Jianhua, preparatory work for renovating the new production facility at Shanghai Likangrui can commence on an immediate basis, and the existing production facilities at Shanghai Qisheng and Shanghai Jianhua can continue with the production of their products during the transitional period (the "Transitional Period") of approximately six months in order to increase our inventories to sufficiently meet customer's demand for the products during the estimated period of suspension of production at Shanghai Qisheng and Shanghai Jianhua production facility. The following table demonstrates the impact on the capacity and utilization rates on our products when the Group implements the Short-term Contingency Plan during the six-month Transitional Period:

Production facility	Product name	Existing production capacities[(a)] ('000 units)	Current production plan[(a)] ('000 units)	Utilization rate under current production plan (%)	Adjusted production plan for additional inventories [(a), (b)] ('000 units)	Adjusted utilization rate[(a), (b), (c)] (%)	Coverage period for additional inventories (months)	Coverage period for all inventories (months)[(d)]
Shanghai Qisheng	Sodium hyaluronate gel	1,250	950	76%	1,750	140%	5.1	10.1
	Chitosan injection	1,000	800	80%	1,400	140%	4.5	9.5
	Collagen sponge	250	200	80%	350	140%	4.5	9.5
	Lubricant eye drops	500	200	40%	400	100%	6.0	11.0
	Chitosan solution	150	90	60%	210	140%	8.0	13.0
Shanghai Jianhua	Sodium hyaluronate	350	300	86%	560	160%	5.2	10.2

Notes:

(a) The capacity figures cover a production period of 125 working days, 8 hours of production per day and are based on the Company's production plan for 2015.

(b) After taking into account the production of additional inventories during the Transitional Period.

(c) The utilization rates can be achieved by increasing the number of shifts at the production facilities of Shanghai Qisheng and Shanghai Jianhua during the Transitional Period.

(d) The number of months in this column is calculated based on the coverage period for additional inventories produced during the Transitional Period plus an inventory level of five months which the Group normally maintains for its major products.

As Shanghai Likangrui has completed all civil engineering works and the common utility system installation are scheduled to be completed within six months upon receipt of any relocation notice and during the following six-month Transitional Period, Shanghai Likangrui can simultaneously conduct the testing and fine-tuning of the common utility systems and be ready for the relocation. The key steps and indicative time required for implementing the Short-term Contingency Plan are summarized in the table below (month T is the time when relocation notice is received by Shanghai Qisheng or Shanghai Jianhua):

Time Frame	Key Steps
Between T and T+6 months	Receive relocation notice and launch the Short-term Contingency Plan; Shanghai Qisheng and Shanghai Jianhua will commence contingency inventory ramp-up production schedule, while Shanghai Likangrui will complete the testing and fine-tuning of the common utility system and related preparatory work
T+9 month	Completion of the relocation of equipment, installation and testing
T+11 months	Completion of verification and trial production and submit the application for production license
T+13 months	Obtaining the production license and submitting change of registration application for the additional production address to the CFDA
T+14 months	Completion of change of particulars of the medical device registration certificates and commence full production

The production facility at Shanghai Qisheng is crucial to the Group's operation while the Shanghai Jianhua production facility is, individually, not crucial. On the basis of the Qisheng Written Confirmation and the Jianhua Written Confirmation, our Directors are of the view that the risk of being forced to vacate from the production facilities at Shanghai Qisheng and Shanghai Jianhua is remote. As demonstrated above, the Directors believe that the Short-term Contingency Plan is feasible. We estimate the relocation costs for implementing the Short-term Contingency Plan will be approximately RMB880,000, assuming that we are forced to vacate from the production facilities of both Shanghai Qisheng and Shanghai Jianhua. If the Group is requested to relocate our leased production facilities with Title Defects and causing the Company to implement the Short-term Relocation Plan, it shall have no material impact on the original Shanghai Likangrui expansion and upgrade plan. This is because in terms of construction area, public utility system and power system requirements, the new production facility of Shanghai Likangrui is designed to be capable of fully absorbing the production capacities of Shanghai Qisheng and Shanghai Jianhua. As to the impact of this arrangement on our working capital requirements if the Group is requested to relocate our leased production facilities with Title Defects, we expect to have (i) an increase of approximately RMB27,200,000 in inventories and a decrease of the same amount in reserved cash as a result of producing additional inventories during the six-month notice period for meeting the customers' demand during the eight-month relocation period, causing a change to the components of our working capital while these will be no net effect on the amount of our working capital, and (ii) a decrease in our working capital as a result of relocation costs at approximately RMB880,000. The above excludes all potential demolition costs of the buildings with Title Defects because as advised

by our PRC Legal Advisers, (a) pursuant to the relevant lease agreements, Shanghai Qisheng and Shanghai Jianhua as lessees are not under any contractual obligation to bear demolition costs in the event that the competent authorities require the buildings with Title Defects to be demolished, and (b) the lessors, not the lessees of the buildings with Title Defects shall be responsible for the demolition and related costs under the applicable PRC laws and regulations. Further, our Controlling Shareholders have undertaken to indemnify us should there be any demolition costs which are required to be paid by the Group due to the Title Defects of our leased production facilities.

Taking into account (i) the Short-term Contingency Plan; (ii) the insignificant estimated total relocation costs for implementing the Short-term Contingency Plan, and (iii) the indemnity given by the Controlling Shareholders, the Directors believe that if we are forced to vacate from the production facilities of Shanghai Qisheng and Shanghai Jianhua, it would not cause a material adverse impact on our business, financial position, working capital or results of operation provided that (a) a notice period of at least six months is given by the relevant PRC local government authority before such vacation becomes effective; and (b) the Short-term Contingency Plan will be implemented within the timeframe as indicated.

2. Long-term relocation plan

In order to remove the uncertainties arising out of the Qisheng Title Defect and the Jianhua Title Defect, we intend to implement the Long-term Relocation Plan in 2015. According to the Qisheng Written Confirmation and the "Notice for supporting the land allocation among certain high-tech industrialization projects in Minhang District" (《關於支持閔行區部分高新技術產業化項目土地指標的通知》) jointly issued by the Shanghai Municipal Planning and Land Resources Administration (上海市規劃和國土資源管理局), the Shanghai Municipal Economic and Information Technology Commission (上海市經濟和信息化委員會), the Shanghai Municipal Development and Reform Commission (上海市發展和改革委員會), the Shanghai Municipal Science and Technology Commission (上海市科學技術委員會) and the Shanghai Environmental Protection Bureau (上海市環境保護局), Shanghai Qisheng is regarded as a biomedical product and pharmaceutical high-tech enterprise which has been shortlisted by the Minhang District Government to give priority for land allocation, and the relevant government departments of the Minhang District will plan and facilitate such land procurement. Based on the Qisheng Written Confirmation which serves as a reiteration of support from the Minhang District Government for us to obtain new land, we believe that we should be able to obtain new land with no title defects in 2015 (the "Long-term Relocation Plan"). Assuming that we obtain the land before December 2015, it is estimated that production could be commenced at the new premises at the end of March 2018.

We estimate the total investment amount for implementing the Long-term Relocation Plan is approximately RMB250 million, which the Company intends to finance through internal financial resources. Should there be any material change to the estimated investment amount or the Long-term Relocation Plan, we shall publish announcement to keep the Shareholders informed in a timely manner.

As the removal and transfer of production equipment from Shanghai Qisheng and Shanghai Jianhua to the new production site in Minhang District will require a temporary suspension of production for eight months, we intend to produce additional inventories to sufficiently meet customers' demand for the products during the estimated period of temporary suspension of production by increasing the number of shifts at the production facilities of Shanghai Qisheng and Shanghai Jianhua before such removal and transfer.

The following table sets forth the key steps which the Company plans to take to implement the Long-term Relocation Plan (month T is the time when the Long-term Relocation Plan begins):

Time Frame (months)	Key Steps
Month T	Obtaining land through the process of bidding, auction, listing from the relevant Department of Land and Resources
T+9 months	The District Development and Reform Commission initiating the project acceptance and reporting and the Company to launch the project design, and conduct assessments on safety, labor and environmental issues. It will also notify the local Construction and Transportation Commission and other relevant local government departments to obtain the construction permit and commence construction
T+15 months	Completion of civil engineering works and liaise with local government departments on construction and environmental protection matters
T+19 months	Removal and transfer of production equipment from Shanghai Qisheng and Shanghai Jianhua to the new site in Minhang District, Shanghai
T+21 months	Completion of the utility systems and installation and testing of equipment
T+24 months	Completion of the equipment verification and trial production and submit the application for production license through the CFDA
T+26 months	Obtaining the production license and submitting the application for the additional production address to the CFDA for registration
T+27 months	Completion of the change of particulars of the medical device registration certificates and commencement of full production

Valuation

We do not engage in any property activities as defined in Rule 5.01 of the Listing Rules. The total carrying amounts of our property interests comprising buildings and construction in progress accounted for approximately 22.9% of our total assets as of December 31, 2014, and no single property interest had a carrying value exceeding 15% of our total assets. Accordingly, we are not required by Chapter 5 of the Listing Rules to value or include in this prospectus any valuation report of our property interests, and, pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of

Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal control measures to ensure that the Company will not lease properties with title defects going forward

In the event that we will lease or buy properties in the future, we will consult our legal advisers to confirm that the relevant landlord possesses legal and valid title to the land and buildings before entering into lease agreements or sale and purchase agreements for such properties. Our Directors are of the view that the internal control measures above are adequate and effective to ensure future compliance with the relevant PRC laws and regulations with respect to the leasing and purchase of land and buildings in the PRC. The Sole Sponsor concurs with our Directors' view.

Considering (i) the Directors' assessment of the potential impact on the business of the Group due to the title defects; (ii) the Qisheng Written Confirmation and the Jianhua Written Confirmation; (iii) opinions of the Company's PRC Legal Advisers; (iv) the Group's Short-term Contingency Plan and Long-term Relocation Plan; (v) the indemnity from the Controlling Shareholders; and (vi) the internal control measures set out above, our Directors are of the view that such title defects alone do not render the Company unsuitable for listing or render our Directors unsuitable to serve as directors of a listed company. The Sole Sponsor, on a similar basis as our Directors', concurs with our Directors' view.

Other general internal control measures

It is the responsibility of our Board to ensure that the Company maintains sound and effective internal controls to safeguard our Shareholders' investment and the Group's assets at all times. We have adopted, or expect to adopt before the Listing, a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- Code of Conduct. Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behavior. Our code of conduct also includes whistleblowing policies to encourage all employees to report any sub-standard behavior.
- Anti-corruption. Our anti-corruption policies provide the tools and resources necessary to enable, monitor and enforce full compliance with the anti-bribery and anti-corruption laws of China and other countries where we conduct our business operations.
- Internal Audit. Our internal audit function regularly monitors key controls and procedures in order to assure our management and Board that the internal control system is functioning as intended. The audit committee in our Board, which was established since 2011, is responsible for supervising our internal audit function.
- Compliance with Listing Rules. Our various policies aim to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connection transactions and securities transactions by our Directors.

The ultimate goal of our risk management process is to bring focus and effort to the issues in our business operations that create impediments to our success. Our risk management process starts with identifying the major risks associated with our corporate strategy, goals and objectives. Based on assessment of our risks in terms of their likelihood and potential impact, we then prioritize and pair each risk with a mitigation plan. Each of our operating departments is responsible for identifying and analyzing risks associated with its function, maintaining a comprehensive risk register, preparing risk mitigation plans, measuring effectiveness of such risk mitigation plans, and reporting status of risk management. Our audit personnel, our audit committee, and ultimately our Board supervise the implementation of our risk management policy at the corporate level by bringing together each operating department, such as quality control, research and development and sales, to collaborate on risk issues among different functions. For details about the qualifications and experiences of the members of the audit committee in our Board and our Board, please see the section headed "Directors, Supervisors and Senior Management".

LEGAL AND COMPLIANCE

Licenses and Permits

As a PRC-based biomedical and biomaterial company, we are subject to regular inspections, examinations, audits and are required to maintain or renew the necessary permits, licenses and certifications for our business. Our PRC Legal Advisers have advised that, except for the two medical device registration certificates that are expired and in the process of being renewed, we have obtained all material requisite licenses, permits and approvals for our operation as of the Latest Practicable Date.

The following table sets forth key licenses, permits and certificates relating to our business and operations (apart from those pertaining to general business requirements), their respective purpose, issuing authority and expiry date:

License/Permit/Certificate	Scope	Expiry date	Owner
Drug manufacturing permit (藥品生產許可證)			
- Shanghai 20110103	Small volume parenteral solution, API (sodium hyaluronate), bioengineering products (rhEGF)	Dec. 31, 2015*	Haohai Biological
Medical device manufacturing permit (醫療器械生產企業許可證)			
- Shanghai Food and Drug Administration 20000135	Class III 6822 Implantable or long-term exposure in vivo ophthalmic optical instruments; absorbable hemostatic and anti-adhesion materials	Jan. 7, 2020	Haohai Biological
- Shanghai Food and Drug Administration 20000007	Class III 6822 Implantable or long-term exposure in vivo ophthalmic optical instruments; Class III 6864 implantable instruments; Class III 6864 absorbable hemostatic and anti-adhesion materials	Aug. 2, 2015*	Shanghai Qisheng
- Shanghai Food and Drug Administration 20000030	Class III 6822 Medical optical instruments, instruments and endoscopic equipment; Class III 6864 absorbable hemostatic and anti-adhesion materials	Dec.18, 2019	Shanghai Jianhua
Permits for medical device operation enterprises (醫療器械經營企業許可證)			
- Shanghai 160671.	Class II, Class III Medical optical instruments, instruments and endoscopic equipment; medical materials and dressing, medical polymer materials and products (except for a one-time use of sterile medical equipment key regulated products), implants and artificial organs	Sep. 28, 2018	Haohai Biological

License/Permit/Certificate	Scope	Expiry date	Owner
- Shanghai 110142	Class II, Class III Medical polymer materials and products (except for a one-time use of sterile medical equipment key regulated products)	Jul. 19, 2017	Shanghai Qisheng
GMP certificate (GMP證書)			
- SH20140046	API (sodium hyaluronate)	Sep. 1, 2019	Haohai Biological
- CN20140197	Small volume parenteral solution, rhEGF (lyophilized powder for injection)	Apr. 9, 2019	Haohai Biological
Drug registration certificate (藥品再註冊批件)			
- CFDA H20000326	Sodium hyaluronate	May 6, 2015**	Haohai Biological
- CFDA H20051837	Sodium hyaluronate injection	May 11, 2015**	Haohai Biological
- CFDA H20051838	Sodium hyaluronate injection	May 6, 2015**	Haohai Biological
- CFDA S20010094	rhEGF	Mar. 9, 2020	Haohai Biological
- CFDA S20010095	rhEGF	Mar. 9, 2020	Haohai Biological
- CFDA S20010096	rhEGF	Mar. 9, 2020	Haohai Biological
- CFDA S20010099	rhEGF	Mar. 9, 2020	Haohai Biological
Medical device registration certificate (醫療器械註冊證)			
- CFDA 20143221171	Medical sodium hyaluronate gel (OVD)	Jun. 30, 2019	Haohai Biological
- CFDA 20143221489	Medical sodium hyaluronate gel (OVD)	Aug. 3, 2019	Haohai Biological
- CFDA 20113640335	Medical sodium hyaluronate gel	Mar. 15, 2015**	Haohai Biological
- CFDA 20143642114	Medical chitosan	Dec. 3, 2019	Shanghai Qisheng
- CFDA 20113641651	Medical collagen sponge	Dec. 29, 2015**	Shanghai Qisheng
- CFDA 20143221050	Lubricant eye drops for contact lens	Jun. 23, 2019	Shanghai Qisheng
- CFDA 20133640946	Medical chitosan (intra-articular viscosupplementation)	Jul. 3, 2017	Shanghai Qisheng
- CFDA 20133461447	Cross-linked sodium hyaluronate gel for injection	Sep. 17, 2017	Shanghai Qisheng
- CFDA 20143221175	Medical sodium hyaluronate gel (OVD)	Jun. 30, 2019	Shanghai Qisheng
- CFDA 20153640476	Medical sodium hyaluronate gel	Mar. 18, 2020	Shanghai Qisheng
- CFDA 20113220368	Medical sodium hyaluronate gel	Mar. 24, 2015**	Shanghai Jianhua
- CFDA 20113641402	Medical sodium hyaluronate gel	Nov. 9, 2015*	Shanghai Jianhua

* Preparing for renewal.

** In the process of renewal.

The renewal procedures for the above key licenses, permits and certificates are to be carried out six months prior to the expiration dates. During the Track Record Period, we have not encountered any obstacles in renewing the above key licenses, certificates and permits. Nonetheless, the medical device registration certificates for two of our medical sodium hyaluronate gel products expired in March 2015 while we submitted relevant applications in October 2014 and were currently in the process of renewing the two certificates. As a result, we temporarily held off our production of these two products upon the expiry of the two certificates, while we are permitted to sell relevant products manufactured prior to such expiry dates. In addition, our Directors expect the production of the two sodium hyaluronate gel products to resume in April and May 2015, respectively, after we obtain the renewed certificates. As we typically maintain an inventory of finished products of no less than three months' stock, our Directors are of the view that such incident will not materially affect our business. Our Directors are not aware of any reason that would cause or lead to the non-renewal of the certificates with expiry dates in May 2015.

Please refer to "Regulatory Overview" for further details of the licenses, permits and certificates required for our business.

Legal Proceedings

We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business. For example, on February 10, 2012, our wholly owned subsidiary Shanghai Qisheng received a court notice with a court case No.95 (2012) MinMinSan(Zhi)ChuZi from the People's Court of Minhang District in Shanghai. Qisheng Research Institute sued Shanghai Qisheng for an alleged trademark infringement, claiming the discontinuance of the trademark infringement as well as a trademark royalty fee of RMB4.32 million. During the trial, Qisheng Research Institute changed its claims to decreeing Shanghai Qisheng to discontinue the related trademark infringement and claimed RMB4.3 million for the loss attributable for the alleged trademark infringement. In March 2013, the People's Court of Minhang District, Shanghai ruled in favor of us. In July 2013, Qisheng Research Institute appealed to Shanghai No.1 Intermediate People's Court, which was dismissed by the court. Qisheng Research Institute submitted an application for retrial, which was dismissed by the Higher People's Court of Shanghai on March 24, 2014.

As confirmed by our PRC Legal Advisers, we have complied in all material aspects with all applicable laws and regulations in China during the Track Record Period. As of the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or administrative proceedings of material importance and no litigation, claim or administrative proceedings of material importance is known to our Directors to be pending or threatened against any member of the Group.

Anti-Corruption Compliance

Since the early 1990s, the PRC government has issued various laws and regulations with respect to commercial bribery. In 1993, the National People's Congress adopted the PRC Anti-Unfair Competition Law, which became effective on December 1, 1993 and provided that a business operator commits a crime if it offers money or any other bribes in the course of selling or purchasing products. On November 15, 1996, the State Administration for Industry and Commerce issued the Interim Provisional Regulations on the Prohibition of Commercial Bribery (關於禁止商業賄賂行為的暫行規定), 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 of 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.

In order to prevent any violation of the aforesaid anti-corruption requirements by our employees, we have taken measures to regulate the conduct of our marketing personnel and tighten our sales and finance management system. These measures include (i) establishing internal policies for approving reimbursement of marketing, entertainment, travelling and accommodation expenses incurred by our sales and marketing personnel to increase their awareness of relevant anti-corruption laws and regulations, as well as bribery-related acts; (ii) establishing a specific code of conduct for our sales and marketing staff and (iii) providing related training to our employees. In particular, we have conducted anti-fraudulent activity training for all employees of our sales and other departments in November 2014 to explain to them the penalties involved for conducting fraudulent activities and

their duty to report such activities. We adopted our anti-fraudulent activity policy with whistle-blowing procedures also in November 2014 to clearly define the scope of fraudulent activities, the measures for prevention and control of such activities and related handling procedures.

To prevent our distributors from engaging in corruption, bribery, or other improper conduct, we perform background checks and take into account the compliance history of the distributors during our distributors selection process. In addition, our distributors are required under their sales contracts and distribution agreements with us to comply with all applicable laws and regulations and restrain from inappropriate conduct, while our marketing representatives are also responsible for overseeing their activities through routine follow-ups, such as annual assessment, site visit and inspection. We also sent written notices to our distributors in December 2014 requesting them to comply with all applicable laws and regulations, especially those relating to anti-corruption and bribery related acts. However, we may not be able to effectively control the conduct of the sub-distributors engaged by our distributors as we are unable to impose our anti-corruption procedures on such sub-distributors directly.

In preparation for the Listing, we engaged an independent internal control consulting firm (the "Internal Control Consultant") to perform an overall assessment in September and October 2014 on certain of our procedures, systems and internal controls, including the review of the internal controls to prevent corruption. The Internal Control Consultant has performed follow-up walkthrough test in November 2014. During the internal control review, the Internal Control Consultant has provided some recommendations for our management's consideration to enhance our internal control system, which include certain anti-corruption related measures. Our Company has implemented such recommendations.

Based on the above, the Directors are of the view, and the Sole Sponsor concurs, that the Company's internal controls over anti-corruption, bribery or other improper conducts of its employees are sufficient and effective.

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 or improper payments by our Directors or employees. Further, to the best knowledge of our Directors, none of our 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.

Upon Listing, our audit committee will assist the Company in reviewing and assessing the sufficiency and effectiveness of our anti-corruption and anti-fraud measures as part of its responsibilities. We will also seek external legal advice on compliance with anti-corruption and related laws and regulations where necessary.

EMPLOYEES

As of December 31, 2012, 2013 and 2014, we had 343, 409 and 502 employees in the PRC with whom we had direct employment agreements, respectively, and 19, nil and nil employees in the PRC seconded to us by third party labor dispatch companies. As of December 31, 2014, more than 32.1% of our employees had obtained a bachelor or higher degree.

The table below sets forth a breakdown of our total number of employees by function as of December 31, 2014:

Production	222
Research and development	100
Sales and marketing	105
Supply	11
Administration	64
Total	502

As of December 31, 2012, 2013 and 2014, our total staff cost was RMB36.0 million, RMB41.1 million and RMB61.8 million, respectively, which accounted for 11.9%, 10.2% and 12.0% of the total revenues during the corresponding periods, respectively.

Pursuant to applicable PRC laws and regulations, we shall contribute various employee social insurance premiums for our employees, including pension contribution premium, medical insurance premium, work related injury insurance premium, unemployment insurance premium, maternity insurance premium and housing funds at specified percentages of the salaries, bonuses and allowances paid to our employees based on applicable local government requirements. During the Track Record Period, as 18 of our employees (which represents approximately 3.6% of our total number of employees as at December 31, 2014) were unwilling to transfer their social insurance accounts to us, they renounced our payment of their social insurance premium and housing funds, and therefore we could not make payment of the social insurance premium and the housing funds for the 18 employees. Furthermore, each of the 18 employees confirmed that they do not have any disputes with us and will not seek any legal claims against us on social insurance premiums and housing funds payment related matters. As of the Latest Practicable Date, the contributions of social insurance premiums and housing funds in connection with the 18 employees amounted to an aggregate of no more than RMB1.5 million. In addition, our Controlling Shareholders have irrevocably undertaken that if there is any economic loss or other expenses to be incurred by the Company and its subsidiaries due to non-compliances involving insufficient employee social insurance premium and housing funds payments, our Controlling Shareholders shall fully indemnify us. Pursuant to the confirmation provided by the local social insurance and housing funds authorities in Shanghai and as advised by our PRC Legal Advisers, we have complied with all statutory social insurance and other related obligations applicable to us under PRC laws and have made full payment of the employee social insurance premium and housing funds in all material respects, and the situation involving the 18 employees above shall not render us nor our PRC subsidiaries to be subject to any material penalty and losses under PRC laws and regulations.

We recruit our employees based on a number of factors, including their work experience, educational background and the needs of our vacancies. We are committed to our employees' continuing education and development for sustained development of our business. We regularly provide various and targeted training programs to our employees, such as training on the knowledge about our products and sales, laws and regulations applicable to our operation, requirements under GMP certification, quality control, workplace safety and corporate culture. We also seek to motivate and retain our employees by maintaining a merit-based incentive system.

Each of the Company, Shanghai Qisheng and Shanghai Jianhua has set up a labor union and Shanghai Qisheng and Shanghai Jianhua each entered into a collective bargaining agreement with its labor union. We believe that we maintain a good working relationship with our employees and have not experienced any strikes, labor disputes or industrial actions which had a material effect on our business.

INSURANCE

We currently maintain the following insurance policies:

- social welfare insurances in accordance with the relevant laws and regulations in China; and
- insurance policies that cover our major fixed assets against damage caused by accidents and natural disasters such as fire.

In line with the industry practice in China, we do not have any product liability, third-party liability or business interruption insurance coverage for our operations. We consider our current insurance coverage to be adequate. However, the lack of product liability insurance could potentially lead to significant product liability claim and significant losses. Please refer to "Risk Factors — Risks Relating to Our Business and Industry — We may not maintain sufficient insurance to cover the risks arising from our business operations" for further details of the associated risks. We did not make any material insurance claim during the Track Record Period and as of the Latest Practicable Date.

To minimize our product liability risk, we have instituted stringent quality assurance measures in order to avoid or reduce the incidence of production defects. See the section headed "Business — Quality Management" in this prospectus. We strive to monitor any potential adverse reactions related to our products mainly through strict quality control during production, follow-up with our distributors and regular visits by our product managers/sales managers to hospitals to monitor the clinical usage of our products. There have been no product liability claims against us during the Track Record Period and as of the Latest Practicable Date.

OCCUPATIONAL HEALTH AND SAFETY

We are subject to PRC laws and regulations regarding labor, safety and work-related incidents. To reduce the potential risk of work injuries, we have implemented a comprehensive occupational health and safety system, which we believe will help us ensure employee health and safety as we continue to expand our operations. Our occupational health and safety system in China primarily focuses on the following:

Equipment Maintenance. We endeavor to repair and maintain in good condition all our production facilities and equipment on a regular basis. We also continuously upgrade our equipment by installing additional safety devices to prevent work injuries.

Safety Training. We provide systematic safety trainings to all employees. Newly recruited employees must go through a series of training sessions. Employees operating key equipment must participate in periodic safety training. Before we employ any new equipment or production technology, the operating employees must be specifically trained with respect to the safety issues involved.

Risk Management. Based on periodic inspections of our production facilities, we grade the health and safety risks at each stage of our operations and identify the potential risks involved. We will strengthen the safety measures against the material health and safety risks identified.

Emergency Response Plan. We have adopted emergency plans for our production facilities, laying out the responsible personnel and response procedures in the event of occupational health and safety emergencies, include a system of recording and handling accidents.

During the Track Record Period and as of the Latest Practicable Date, we complied with relevant PRC workplace safety regulatory requirements in all material respects and we had not experienced any material accidents in the course of our operation. and our Directors were not aware of any claims for personal or property damages in connection with health and occupational safety.

ENVIRONMENTAL MATTERS

Our business is subject to national, provincial and local environmental laws and regulations of the PRC. The relevant environmental laws and regulations applicable to pharmaceutical and medical device productions in China include provisions governing air emissions, water discharge, prevention and treatment of sewage and exhaust fumes and the management and disposal of hazardous substances and waste. Manufacturers are also required to conduct an environmental impact assessment before engaging in new construction projects to ensure that the production processes meet the required environmental standards to treat wastes before the wastes are discharged. The relevant environmental laws and regulations empower certain governmental authorities to shut down any enterprise that materially violates such laws and regulations through the discharge of pollutants.

The main pollutants generated during our production process include waste water, waste gas and solid waste. We have established a pollution control system in order to comply with GMP, Conformité Européene, ISO9001:2008 and ISO13485:2003 certification requirements as well as other applicable laws and regulations. For solid waste, we generally contract with qualified sanitation companies or recycling companies for special treatment. We seek to reduce, treat and recycle the waste generated in our production process and improve our production technique to reduce the pollutants we discharge to the environment. For 2012, 2013 and 2014, our cost of compliance with applicable environmental rules and regulations was approximately RMB172,000, RMB142,000 and RMB274,000. These costs do not include historical capital expenditure on property, plant and equipment that may be attributable to environmental compliance. We expect that our cost of compliance with applicable environmental rules and regulations will not materially deviate from the 2013 level. During the Track Record Period, and as of the Latest Practicable Date, we had fully complied with all applicable laws and regulations relating to production safety and environmental requirements in all material respects.

OVERVIEW

Immediately following completion of the Global Offering and assuming no Over-allotment Option is exercised, Mr. Jiang Wei, together with his wife who is also our Director, Ms. You Jie, will be interested in 47.25% of our issued share capital and will be regarded as our Controlling Shareholders under the Listing Rules.

None of the Controlling Shareholders holds in aggregate or individually more than 5% equity interest in a domestic or overseas listed company.

The Group's core business operations focus on the research and development, manufacturing and sales of absorbable biomedical materials (the "Core Operations"). Apart from our Core Operations, our Controlling Shareholders have control of or interests in other companies which engage in the production of small volume injections, hard capsules, ointments and the production and sale of Chinese medicine (the "Excluded Businesses"). In order to focus on our Core Operations and in line with our strategic directions and development plan, the Excluded Businesses will not form part of our Group after Listing.

None of our Controlling Shareholders and Directors is interested in any business which is, whether directly or indirectly, in competition with our business. To safeguard our Group from any potential competition, each of our Controlling Shareholders has entered into the Deed of Non-competition in favor of the Company, pursuant to which each of our Controlling Shareholders has jointly and severally undertaken to the Company that he or she would not, and would procure that his or her associates would not, directly or indirectly carry on, participate or be interested or engaged in or acquire or hold any business which is or may be in competition with the Core Operations.

DELINEATION OF OUR BUSINESS FROM THE EXCLUDED BUSINESSES

Set out below are further details of companies which engage in the Excluded Business and which our Controlling Shareholders have control of or interests in:

Zhongyida Yaoye

Shanghai Zhongyida Yaoye Company Limited (上海中醫大藥業股份有限公司) ("Zhongyida Yaoye") is a company established under the laws of the PRC with limited liability on December 14, 1981 and is owned as to 87.15% by Haoyang Management. Haoyang Management is held by Ms. You Jie as to 85%, Mr. Wu Jianying as to 8% and Mr. Huang Ping as to 7%. Since its incorporation, Zhongyida Yaoye has been solely engaged in the manufacture and sale of Chinese medicine for the treatment of acute and chronic icterichepatitis in internal medicine, nasal allergies and hemorrhoid bleeding. The products are different from the products manufactured and sold by our Group. The products produced by Zhongyida Yaoye are used in different medical specialties for different clinical applications. Further, the raw materials used by Zhongyida Yaoye and our Group are different. In addition, there is no financial dealing or transaction or overlap in management team between Zhongyida Yaoye and our Group.

Tongyong Yaoye

Shanghai Tongyong Yaoye Company Limited (上海通用藥業股份有限公司) ("Tongyong Yaoye") is a company established under the laws or the PRC with limited liability on November 20, 2000 and is owned as to 20% by Haoyang Management. Since its incorporation, Tongyong Yaoye has been

solely engaged in the manufacture and sale of small volume injections (with hormones), hard capsules (with antibiotics), anti-bacterial and anti-allergic ointments, etc. The products of Tongyong Yaoye and the Group are different and are used in different medical specialties for different clinical applications. Further, the raw materials used by Tongyong Yaoye and our Group are also different. In addition, there is no financial dealing or transaction or overlap in management team between Tongyong Yaoye and our Group.

Our Directors are of the view that Zhongyida Yaoye and Tongyong Yaoye do not compete, and are unlikely to compete, either directly or indirectly, with the Core Operations of our Group because there is a clear delineation between them and the Core Operations of our Group. On this basis, none of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business. Further, Mr. Jiang Wei and Ms. You Jie have entered into a non-competition deed in favor of our Group, the terms of which are disclosed in the sub-section headed "Deed of Non-competition" of this section of the prospectus.

Deed of Non-competition

To safeguard our Group from any potential competition, each of our Controlling Shareholders has entered into the Deed of Non-competition on December 8, 2014 in favor of the Company, pursuant to which each of our Controlling Shareholders has jointly and severally irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of its subsidiaries) that he or she would not, and would procure that his or her associates (other than any member of our Company) would not, during the restricted period set out below, directly or indirectly, either on his or her own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) any business which is or may be in competition with the Core Operations or the business of any member of our Group, within the territories of Hong Kong and the PRC and such other parts of the world where any member of our Group carries and/or will carry on business, from time to time (the "Restricted Business"). Further, if there is any new business opportunity in the Restricted Business, each of the Controlling Shareholders shall promptly notify the Company in writing and refer such business opportunity to the Company for consideration and provide such information as may be reasonably required by the Company in order to make an informed assessment of such business opportunity. Each of the Controlling Shareholders shall not invest, participate, be engaged in and/or operate in such business opportunity unless our Company has rejected it. In addition, any such decision of our Company will have to be approved by the independent non-executive Directors (who do not have any interest in such proposed business opportunity) after taking into consideration our Group's prevailing business, the financial resources required for the new business opportunity and any expert opinion on the commercial viability of the new business opportunity.

The Deed of Non-competition does not apply to:

(i) any interests in the shares of any member of our Group; or

(ii) interests in the shares of a public listed company other than the Company provided that the total number of the shares held by our Controlling Shareholders and/or their respective

associates does not reach, in aggregate, 5% of the issued shares of that class of the company in question, and our Controlling Shareholders and/or their respective associates are not entitled to appoint a majority of the directors of that company or involved in the operation and management of that company and/or its subsidiaries.

The "restricted period" stated in the Deed of Non-competition refers to the period during which (i) the H Shares of the Company remain listed and trade on the Stock Exchange; (ii) so far as each Controlling Shareholder is concerned, he or she or his or her associate holds an equity interest in the Company; and (iii) the relevant Controlling Shareholders and/or their respective associates are entitled to jointly or severally exercise or control the exercise of not less than 30% in aggregate of the voting rights at general meetings of the Company.

The Company will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- the independent non-executive Directors will ensure that conflicted Directors will abstain from voting at the relevant board meetings in compliance with the Articles and the Listing Rules;
- the independent non-executive Directors will review, on an annual basis, the compliance with the non-compete undertaking by our Controlling Shareholders under the Deed of Non-competition;
- our Controlling Shareholders undertake to keep the Company informed of new business opportunities and to provide all information reasonably required by the independent non-executive Directors to assist them in their consideration of any new business opportunity;
- the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of the Company, including the independent non-executive Directors' decision, and their basis, to pursue or decline any new business opportunity; and
- our Controlling Shareholders will make confirmation on compliance with their undertaking under the Deed of Non-competition in the annual report of the Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that our Company will be able to be operationally and financially independent from our Controlling Shareholders and their associates:

Management Independence

Our Board comprises five executive Directors, two non-executive Directors and five independent non-executive Directors. We consider that our Board will function independently from our Controlling Shareholders because:

- each Director is aware of his/her fiduciary duties as a Director of the Company which requires, among other things, that he/she acts for the benefit and in the best interests of the Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;
- in the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of the Company in respect of such transactions and shall not be counted in the quorum;

- our Board comprises 12 Directors and five of them are independent non-executive Directors, which represents one-third of the members of the Board. Such composition is in line with relevant provisions of the Listing Rules; and
- further, following the Listing, our Directors will be required to comply with provisions under the Listing Rules and certain matters, such as connected transactions, which are required to be reviewed by our independent non-executive Directors. Our Directors are of the view that the proportion of independent non-executive Directors comprising our Board should enhance our overall corporate governance standards. Based on the above, our Directors are satisfied that our Directors as a whole, together with our management team, are able to manage our Company independently.

Financial Independence

Our Company has an independent financial system and makes financial decisions independently according to its own business needs. Our Controlling Shareholders do not intervene with our use of funds. We are able to obtain financing from Independent Third Parties or from our internally generated funds. Our financial department performs functions in treasury, accounting, reporting, financing and internal control. We have independent bank accounts and do not own joint accounts with our Controlling Shareholders. We conduct independent tax registrations and pay taxes out of our own funds.

Operational Independence

Our Company has an independent work force to carry out its business and has not shared its operation team with the Excluded Business and our Controlling Shareholders and their respective associates. We independently applied for and obtained requisite licenses and permits for our operations and have sufficient funds, resources and staff to operate our business independently. With respect to Haohai Chemical which is owned as to 80% by Mr. Jiang Wei, one of our Controlling Shareholders, the Company has entered into a lease agreement pursuant to which our Company leases office premises from Haohai Chemical. The Company has also entered into an office lease agreement with Ms. You Jie, our other Controlling Shareholder. Details of the above lease agreements have been disclosed under the section headed "Connected Transactions" of this prospectus. The Directors confirm that in the event that our Company shall cease to lease office premises from Haohai Chemical and Ms. You Jie, there will not be any difficulty in finding and relocating to alternative office premises of comparable size and quality, which are available within a close proximity at comparable rental rates, without causing any material disruption to the day-to-day operations of the Group. Save for the above lease agreements as disclosed in the section headed "Connected Transactions" in this prospectus, our Directors do not expect that there will be any other continuing connected transactions between our Group and our Controlling Shareholders and/or their respective associates upon or shortly after the Listing.

CORPORATE GOVERNANCE MEASURES

Our Directors have confirmed that they fully comprehend their obligations to act in the best interests of the Company and our Shareholders as a whole. To avoid potential conflicts of interest, we have adopted a system of corporate governance with the following principal components:

- as part of our preparation for the Global Offering, we have amended our Articles to comply with the Listing Rules. In particular, our Articles provide that, except in certain limited circumstances, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting. In addition, our Directors shall abstain from voting and shall not be counted in the quorum in respect of any proposals involving our Directors;
- we are committed that our Board should include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed Mr. Chen Huabin, Mr. Shen Hongbo, Mr. Li Yuanxu, Mr. Zhu Qin and Mr. Wong Kwan Kit as our independent non-executive Directors. We believe our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed "Directors, Supervisors and Senior Management" in this prospectus;
- we have appointed Guotai Junan Capital Limited as our compliance adviser, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and internal controls;
- any transaction that is proposed between us and our connected persons will be conducted and disclosed in accordance with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent Shareholders' approval requirements of those rules; and
- in addition, if our independent non-executive Directors consider it necessary or desirable, they may also engage professional advisers (including an independent financial adviser) at the costs of the Company to advise them on matters relating to the non-competition agreement or on any business opportunities which may be referred to us by our Controlling Shareholders.

OUR CONNECTED PERSONS

Upon the Listing, the transactions between our Company and our connected persons will constitute our connected transactions under Chapter 14A of the Listing Rules.

Following Listing and under Rule 14A.07 of the Listing Rules, our connected persons include, among others, (i) our Directors and their respective associates, and (ii) the substantial shareholders of our Company and their respective associates.

Accordingly, the transactions between (i) our Group, and (ii) our Directors and/or their respective associates or (iii) our substantial shareholders and/or their respective associates, which will continue after the listing of the H shares on the Stock Exchange, will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Since each of the applicable percentage ratios for each of the two transactions below (on an aggregated basis) is less than 5% with annual total consideration of less than HK$3,000,000, the below transactions constitute *de minimis* continuing connected transactions under Rule 14A.76(1)(c) of the Listing Rules, which are fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Lease agreement with Haohai Chemical

Our Company has entered into a lease agreement dated December 7, 2014, with Haohai Chemical ("Lease Agreement 1"), pursuant to which our Company leased from Haohai Chemical the premises at Rooms 501 and 502, Block 2, Alley 139, Anshun Road, Changning District, Shanghai, China ("Premises 1") for use as our office premises and will continue to lease such premises after the Listing.

Haohai Chemical is owned as to 80% by our Controlling Shareholder, Mr. Jiang Wei and he is the spouse of Ms. You Jie, our other Controlling Shareholder and Director. Accordingly, Haohai Chemical is a connected person of the Company.

Material terms of Lease Agreement 1: Pursuant to the terms of Lease Agreement 1, the lease is for a term of 3 years commencing from January 1, 2015 to December 31, 2017 and the rental payment is RMB25,000 per month (excluding utilities and management fees). The rental rate was determined after arm's length negotiations between our Company and Haohai Chemical and on normal commercial terms with reference to the prevailing market rent of office premises of a similar grade in the vicinity.

Historical amounts: The rental payment to Haohai Chemical for the rental of Premises 1 for the three years ended December 31, 2012, 2013 and 2014 were nil, nil and RMB300,000 respectively.

Annual caps: With reference to the fixed rental amounts, the rental payment under Lease Agreement 1 for each of the three years ending December 31, 2015, 2016 and 2017 shall not exceed the annual cap of RMB300,000.

2. Lease agreement with Ms. You Jie

Our Company has entered into a lease agreement dated December 7, 2014, with Ms. You Jie ("Lease Agreement 2") pursuant to which our Company leased from Ms. You Jie the premises at Rooms 503 and 504, Block 2, Alley 139, Anshun Road, Changning District, Shanghai, China ("Premises 2") for use as our office premises and will continue to lease such premises after the Listing.

Ms. You Jie is our Controlling Shareholder and Director and therefore is a connected person of the Company.

Material terms of Lease Agreement 2: Pursuant to the terms of Lease Agreement 2, the lease is for a term of 3 years commencing from January 1, 2015 to December 31, 2017 and the rental payment is RMB25,000 per month (excluding utilities and management fees). The rental rate was determined after arm's length negotiations between our Company and Ms. You Jie and on normal commercial terms with reference of the prevailing market rent of office premises of a similar grade in the vicinity.

Historical amounts: The rental payment to Ms. You Jie for the rental of Premises 2 for the three years ended December 31, 2012, 2013 and 2014 were nil, nil and RMB300,000 respectively.

Annual caps: With reference to the fixed rental amounts, the rental payment under Lease Agreement 2 for each of the three years ending December 31, 2015, 2016 and 2017 shall not exceed the annual cap of RMB300,000.

IMPLICATIONS UNDER THE LISTING RULES

Under Rules 14A.81 and 14A.82(1) of the Listing Rules, as Lease Agreement 1 and Lease Agreement 2 (the "Lease Agreements") were entered into within a 12-month period, and Haohai Chemical and Ms. You Jie, as the lessors under the Lease Agreements, are related since Haohai Chemical is held as to 80% by Mr. Jiang Wei, our Controlling Shareholder who is the spouse of Ms. You Jie, the continuing connected transactions under the Lease Agreements shall be aggregated as if they were one transaction. For each of the three years ended December 31, 2017, the annual cap for the Lease Agreements is expected to be no more than RMB600,000. Under Rule 14A.76(1) of the Listing Rules, the maximum applicable percentage ratio for the transactions contemplated under the Lease Agreements when aggregated is less than 5% and the total annual consideration is less than HK$3,000,000. As such, the Lease Agreements constitute *de minimis* transactions and are fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions as set out above have been and will be entered into in our ordinary and usual course of business and on normal commercial terms, and that the terms of the Lease Agreements and the annual caps for these transactions set out above are fair and reasonable, on normal commercial terms and in the interests of us and our Shareholders as a whole.

The Board consists of 12 Directors, including five executive Directors, two non-executive Directors and five independent non-executive Directors. The following table below sets forth information regarding our Directors:

Name	Age	Position	Responsibilities	Date of Appointment	Date of Joining the Group
Dr. Hou Yongtai (侯永泰)	53	Chairman and Executive Director	Presiding at shareholder meetings, leading the Board, convening and presiding at Board meetings; taking responsibilities as legal representative, taking part in formulating our operation and business strategies, mainly responsible for overseas business, research and development	July 23, 2010	December 28, 2007
Mr. Wu Jianying (吳劍英)	50	Executive Director and general manager	Being fully responsible for our daily operation and management, taking part in formulating our operation and business strategies, organize and implement our business plans and investment plans	July 23, 2010	July 1, 2007
Mr. Ling Xihua (凌錫華)	60	Executive Director and chief financial officer	Taking part in formulating our operation and business strategies, responsible for our overall financial management	July 23, 2010	January 19, 2007
Mr. Huang Ping (黃平)	39	Executive Director, Secretary of the Board and one of our joint company secretaries	Responsible for preparation of our shareholder meetings and Board meetings, handling information disclosure and investor relations matters	July 23, 2010	November 16, 2007
Ms. Chen Yiyi (陳奕奕)	33	Executive Director	Taking part in formulating our operation and business strategies, mainly responsible for procurement of raw materials	July 23, 2010	January 1, 2010
Ms. You Jie (游捷)	52	Non-executive Director	Taking part in formulating our operation and business strategies, serving as the chairlady of the strategy committee and a member of the audit committee and nomination committee	July 23, 2010	July 23, 2010
Mr. Gan Renbao (甘人寶)	75	Non-executive Director	Taking part in formulating our operation and business strategies	July 23, 2010	January 12, 2010
Mr. Chen Huabin (陳華彬)	47	Independent non-executive Director	Providing independent opinion and judgment to our Board, particularly with regard to the legal aspects of our Company, serving as a member of the audit committee and nomination committee	October 16, 2014	October 16, 2014

Name	Age	Position	Responsibilities	Date of Appointment	Date of Joining the Group
Mr. Shen Hongbo (沈紅波)	35	Independent non-executive Director	Providing independent opinion and judgment to our Board, particularly with regard to the financial aspects of our Company, serving as the chairman of the audit committee and a member of the remuneration committee	October 16, 2014	October 16, 2014
Mr. Li Yuanxu (李元旭)	48	Independent non-executive Director	Providing independent opinion and judgment to our Board, particularly with regard to the aspects of corporate governance of our Company, serving as the chairman of the nomination committee and a member of the audit committee, remuneration committee and strategy committee	December 16, 2010	December 16, 2010
Mr. Zhu Qin (朱勤)	51	Independent non-executive Director	Providing independent opinion and judgment to our Board, particularly with regard to the business aspects of our Company, serving as the chairman of the remuneration committee and a member of the audit committee and nomination committee	October 16, 2014	October 16, 2014
Mr. Wong Kwan Kit (王君傑)	45	Independent non-executive Director	Providing independent opinion and judgment to our Board, particularly with regard to the business administration aspects of our Company	April 6, 2015	April 6, 2015

SUPERVISORS

The following table below sets forth information regarding our Supervisors:

Name	Age	Position	Responsibilities	Date of Appointment	Date of Joining the Group
Mr. Liu Yuanzhong (劉遠中)	46	Chairman of the Supervisory Committee and shareholder Supervisor	Examining and monitoring financial matters and supervising the Board and members of our senior management	July 23, 2010	July 23, 2010
Ms. Yang Qing (楊青)	43	Independent Supervisor	Examining and monitoring financial matters and supervising the Board and members of our senior management	October 16, 2014	October 16, 2014
Mr. Tang Yuejun (唐躍軍)	36	Independent Supervisor	Examining and monitoring financial matters and supervising the Board and members of our senior management	October 16, 2014	October 16, 2014
Mr. Wei Changzheng (魏長征)	35	Employee representative Supervisor	Examining and monitoring financial matters and supervising the Board and members of our senior management	July 23, 2010	October 10, 2009
Mr. Yang Linfeng (楊林鋒)	33	Employee representative Supervisor	Examining and monitoring financial matters and supervising the Board and members of our senior management	September 30, 2014	July 1, 2011

SENIOR MANAGEMENT

The following table below sets forth information regarding our Senior Management:

Name	Age	Position	Responsibilities	Date of Appointment	Date of Joining the Group
Mr. Wu Jianying (吳劍英)	50	General manager	Fully responsible for our daily operation and management, taking part in formulating our operation and business strategies, organizing and implementing our business plans and investment plans	July 23, 2010	July 1, 2007
Mr. Ling Xihua (凌錫華)	60	Chief financial officer	Taking part in formulating our operation and business strategies, responsible for our overall financial management	July 23, 2010	January 19, 2007
Ms. Ren Caixia (任彩霞)	57	Deputy general manager	Responsible for our production, quality control, planning, procurement, system certification, technology upgrade projects and transformation work relating to our production	July 23, 2010	July 9, 2007
Mr. Wang Wenbin (王文斌)	48	Deputy general manager	Responsible for the technology upgrade work relating to our active pharmaceutical ingredients, construction of new facilities, work safety, environmental protection, production transformation of our development projects and innovation alliance	September 30, 2014	December 27, 2007
Mr. Zhang Jundong (張軍東)	40	Deputy general manager	Responsible for our research management, project development, registration of new products, application of development projects and clinical trial management	September 30, 2014	September 30, 2014
Mr. Huang Ping (黃平)	39	Secretary of the Board and one of our joint company secretaries	Responsible for preparation of our shareholder meetings and Board meetings, handling information disclosure and investor relations matters	July 23, 2010	November 16, 2007

Executive Directors

Dr. Hou Yongtai (侯永泰), aged 53, is the chairman and executive Director. Dr. Hou engaged in postdoctoral research at the pharmacology department of University of Pennsylvania in the U.S. from July 1992 to October 1995. Thereafter, he served as a research investigator at the department of cell and developmental biology of the University of Michigan in the U.S. from 1998 to 2000. From August 2000 to August 2003, he served as a researcher and doctoral degree supervisor at Shanghai Institute of Materia Medica, Chinese Academy of Sciences (中國科學院上海藥物研究所), where he was mainly responsible for establishing screening models for cancer drugs and the application of new biotechnologies (such as RNA interference) on new drugs development. He also served as the overseas manager of the strategy and investment committee at Shanghai Pharmaceutical (Group) Co., Ltd, a company principally engaged in investments, research in pharmaceutical products, medical devices, as well as manufacturing and sale of medical devices from July 2003 to June 2004 and was mainly responsible for assisting its formulation of overseas strategies and implementing its external relations and coordination. During July 2000 to June 2004 and April 2005 to March 2008

at Shanghai Huayuan Life Sciences Research and Development Company Limited (上海華源生命科學研究開發有限公司), he served various positions such as the deputy general manager and the director of the research and development division. He was mainly responsible for formulating product development strategies, establishing its development team and development base as well as implementing its product development plans. He has also served as the chairman of Shanghai Qisheng from December 2007 to August 2010. He served as the chairman of Haohai Limited, our predecessor, from September 2009 to July 2010, the date of conversion of our Company. He has been appointed as our chairman and Director since July 2010, and was redesignated as an executive Director on December 7, 2014. Dr. Hou obtained a master's degree and a Ph.D. degree from Ohio University in the U.S. in March 1987 and August 1992, respectively.

Mr. Wu Jianying (吳劍英), aged 50, is an executive Director and general manager of our Company. Mr. Wu worked as a surgeon at the General Surgery Department of the Second Affiliated Hospital of the Second Military Medical University (第二軍醫大學第二附屬醫院普外科) from 1991 to 1999. He thereafter worked at Shanghai Huayuan from March 2003 to February 2004, at the Shanghai branch of China Huayuan Life Industry Limited (中國華源生命產業有限公司上海分公司) from February 2004 to May 2005 and at Cinkate Pharmaceutical and Chemical Intermediates (Shanghai) Company Limited (欣凱醫藥化工中間體(上海)有限公司), a company principally engaged in development and production of pharmaceutical and chemical intermediates, as well as selling its own products and providing relevant technical advisory services from May 2005 to July 2007. He served as the general manager at Haohai Limited from July 2007 to June 2010. He has been acting as the general manager at Shanghai Qisheng since August 2010, the general manager and executive director at Shanghai Likangrui since December 2010, and also the chairman of Shanghai Baiyue since January 2015. He has been appointed as our Director and general manager since July 2010, and was redesignated as an executive Director on December 7, 2014. Mr. Wu obtained a master's degree in clinical medicine from the Second Military Medical University in June 1997 and the practicing doctor qualification in the PRC in May 1999.

Mr. Ling Xihua (凌錫華), aged 60, is an executive Director and chief financial officer of our Company. He served as the chief financial officer at Haohai Chemical, a company principally engaged in the production and sale of polyurethane composite duct from June 2000 to January 2007 and an executive director of Haohai Limited from January 2007 to December 2009. He has been serving as a director at Haohai Group Company Limited (昊海集團有限公司), a company principally engaged in investments since May 2006, and a director of Shanghai Baiyue since January 2015. He has been appointed as our Director and chief financial officer since July 2010, and was redesignated as an executive Director on December 7, 2014. Mr. Ling obtained a graduation certificate in accounting from Shanghai University of Finance and Economics (上海財經大學) in December 1986.

Mr. Huang Ping (黃平), aged 39, is an executive Director, Secretary of the Board and one of the joint company secretaries of our Company. He worked as a manager in Haoyang Investments from September 2008 to June 2010, a director of Haohai Changxing Company Limited, a company principally engaged in the sale of agricultural by-products since September 2010 and as an executive director of Changxing Haoersi Biotechnology Company Limited (長興昊爾斯生物科技有限公司), a company principally engaged in the research and development of biological and plant products from May 2011 to December 2011. He has been serving as a supervisor of Shanghai Jianhua since November 2007, a supervisor of Shanghai Qisheng since December 2007, a supervisor of Shanghai

Likangrui since December 2010, and a supervisor of Shanghai Baiyue since December 2014. He has been appointed as our Director and Secretary of the Board since July 2010 and October 2010 respectively, and has been appointed as one of our joint company secretaries since November 17, 2014. He was redesignated as an executive Director on December 7, 2014. Mr. Huang obtained a bachelor of laws in July 1998 and a master of laws in June 2005 from East China University of Political Science and Law (華東政法大學), and a doctoral degree in corporate management from Fudan University in June 2011. He obtained his lawyer qualification in May 1999.

Ms. Chen Yiyi (陳奕奕), aged 33, is an executive Director of our Company. Ms. Chen joined the marketing department of Haohai Chemical, a company principally engaged in the production and sale of polyurethane composite duct in July 2006 and worked as the marketing manager and assistant to general manager from January 2007 to December 2009. She has been appointed as our Director since July 2010, and was redesignated as an executive Director on December 7, 2014. Ms. Chen obtained a bachelor of arts in June 2004 and a Master of Arts (communications) in June 2006 from Huazhong University of Science and Technology (華中科技大學) respectively.

Non-Executive Directors

Ms. You Jie (游捷), aged 52, is a non-executive Director of our Company. Ms. You worked as a clinician at the Department of Oncology, Longhua Hospital, Shanghai University of Traditional Chinese Medicine (上海中醫藥大學附屬龍華醫院腫瘤科) from July 2004 to February 2011. She has been appointed as our Director since July 2010, and was redesignated as an non- executive Director on December 7, 2014. Ms. You obtained a clinical doctorate degree from Shanghai University of Traditional Chinese Medicine (上海中醫藥大學) in July 2004 and the practicing doctor qualification in the PRC in May 1999. Ms. You is the spouse of Mr. Jiang Wei.

Mr. Gan Renbao (甘人寶), aged 75, is a non-executive Director of our Company. Mr. Gan has engaged in molecular biology and genetic engineering research for many years. He worked at Shanghai Institute for Biological Sciences, Chinese Academy of Sciences (中國科學院上海生命科學研究院生物化學與細胞生物學研究) since October 1960 as a researcher and an officer and retired in June 2004. He was our deputy general manager from July 2010 to September 2014. He has been appointed as our Director since July 2010, and was redesignated as an non- executive Director on December 7, 2014.

Independent Non-Executive Directors

Mr. Chen Huabin (陳華彬), aged 47, is an independent non-executive Director of our Company. He has been working as a researcher and professor of the School of Law, the Central University of Finance and Economics (中央財經大學法學院) from September 2008 until present. He has been appointed as our independent Director since October 2014 and was designated as an independent non-executive director on December 7, 2014. Mr. Chen obtained a master's degree in law from the Southwest University of Political Science and Law (西南政法大學) in March 1991 and a doctor's degree in law from the graduate school, the Chinese Academy of Social Sciences in June 1994.

Mr. Shen Hongbo (沈紅波), aged 35, is an independent non-executive Director of our Company. He engaged in post-doctoral research at the Department of Finance of Tsinghua University from March 2007 to March 2009 and worked as a visiting scholar at Harvard Business School from January 2009 to February 2009. He also acted as an independent director of China Executive Education

Corp., a company formerly trading on the Over-the-Counter Bulletin Board in the U.S. from October 2010 to December 2012. He has been working as an independent director in Zhejiang Xinguang Pharmaceutical Co., Ltd (浙江新光藥業股份有限公司) from September 2012 until present, an investment consultant in China Science & Merchants Capital Management Limited (中科招商集團投資管理集團有限公司) from July 2013 to June 2014 during which he was responsible for execution of its district network, setting up of funds and making referrals of equity investment projects. He has also served as an independent director at InfoTM Micro-Electronics Co., Ltd (盈方微電子股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000670), from November 2014 until present. He is currently an associate professor at the Institute of Finance, School of Economics, Fudan University. He has been appointed as our independent Director since October 2014 and was designated as an independent non-executive director on December 7, 2014. Mr. Shen obtained a doctor's degree in accounting from Shanghai University of Finance and Economics in January 2007 and he has been a member of the Association of Chartered Certified Accountants (ACCA) since January 2015.

Mr. Li Yuanxu (李元旭), aged 48, is an independent non-executive Director of our Company. Mr. Li is a professor at the School of Management, Fudan University. He has been appointed as our independent Director since December 2010 and was designated as independent non-executive Director on December 7, 2014. He obtained a doctorate degree in economics from Fudan University in July 1995.

Mr. Zhu Qin (朱勤), aged 51, is an independent non-executive Director of our Company. During his time working at Shanghai Huatuo Pharmaceutical Technology Development Company Limited (上海華拓醫藥科技發展股份有限公司), he served as a deputy general manager from 2000 to 2003, the general manager and director from 2003 to 2010 and the chairman of its science and technology committee of the board, chief scientist and director from 2011 to 2014. He has been a deputy general manager in Shanghai Liuhe Capital (上海六禾投資) from March 2014 until present, where he is mainly responsible for the area of pharmaceutical and healthcare. He has been appointed as our independent Director since October 2014 and was designated as an independent non-executive Director on December 7, 2014. He obtained a bachelor's degree in medicine from the Second Military Medical University in July 1984 and a master's degree in medicine in December 1990. Thereafter, he obtained a doctor of science degree from Chinese Academy of Sciences in October 2000.

Mr. Wong Kwan Kit (王君傑), aged 45, is an independent non-executive Director of our Company. He joined Prudential Hong Kong Limited as an insurance agent in July 1991 and was promoted to be a regional director since May 2006. He was elected as the president of the General Agents and Managers Association of Hong Kong from 2003 to 2004 and the president of the Life Underwriters Association of Hong Kong in 2013. He has been a member of the insurance agents registration board of the Hong Kong Federation of Insurers since 2010 until present and a member of the Mandatory Provident Fund Schemes Appeal Board since 2012 until present. He has been appointed as our independent non-executive Director since April 2015. Mr. Wong obtained a bachelor's degree in business administration from the Chinese University of Hong Kong in December 1991 and a master's degree in business administration from the Macau University of Science and Technology in August 2010.

SUPERVISORS

Mr. Liu Yuanzhong (劉遠中), aged 46, is the chairman of the Supervisory Committee of our Company and a shareholder Supervisor. Mr. Liu joined Liming Research Institute of Chemical Industry (黎明化工研究院) in 1992 and served as an engineer from November 1997 to October 2001. He has been working as an engineer and was responsible for research and development of insulation and car high polymer material at Haohai Chemical from December 2001 until now. He has been appointed as our Supervisor since July 2010. Mr. Liu obtained a bachelor's degree in industrial analysis from the Department of Applied Chemistry, Beijing Institute of Chemical Technology (北京化工學院) in July 1992 and a master's degree in engineering from East China University of Science and Technology (華東理工大學) in June 2009.

Ms. Yang Qing (楊青), aged 43, is an independent Supervisor of our Company. Ms. Yang engaged in post-doctoral research at the Department of Economics of the University of Vienna in Austria from March 2005 to August 2005 and acted as a visiting scholar at the School of Economics, University of Cambridge in England from September 2006 to September 2007, and participated in the Freeman Fellows Program of the University of Illinois at Urbana-Champaign in the U.S. from August 2011 to May 2012. She joined Fudan University since July 2001 and was responsible for research and teaching work, and she is currently a professor in the School of Economics. She has been appointed as our Supervisor since October 2014. Ms. Yang obtained a bachelor's degree in management information system from Kunming University of Science and Technology (昆明理工大學) in July 1995 and a doctor's degree in management from Fudan University in July 2001.

Mr. Tang Yuejun (唐躍軍), aged 36, is an independent Supervisor of our Company. He served as a lecturer at the School of Management, Fudan University from October 2006 until now. He has also been acting as a master's degree supervisor of MBA and EMBA from January 2011 until present, a master's degree supervisor of corporate management from September 2012 until present and is currently an associate professor at the same. He has been appointed as our Supervisor since October 2014. Mr. Tang obtained a bachelor's degree in economics from Nankai University in June 2001, and a doctor's degree in management at the School of Business, Nankai University (南開大學) in June 2006.

Mr. Wei Changzheng (魏長征), aged 35, is the employee representative Supervisor of our Company. Mr. Wei has been acting as the deputy manager of the research and development department at Haohai Limited, our predecessor since October 2009 and he has continued to serve this position after the conversion of Haohai Limited into our Company. He has been working as the manager at the department of research and development in Shanghai Qisheng from October 2009 until present. He has been appointed as our Supervisor since July 2010. Mr. Wei obtained a doctor of science from Ocean University of China (中國海洋大學) in June 2007.

Mr. Yang Linfeng (楊林鋒), aged 33, is an employee representative Supervisor of our Company. He has been an assistant to the chief human resource officer of our Company since July 2011. He has been appointed as our Supervisor since September 2014. Mr. Yang obtained a doctor's degree in management at Fudan University in June 2011.

Senior Management

Ms. Ren Caixia (任彩霞), aged 57, is the deputy general manager of our Company. She served various positions at Shanghai Huayuan from April 2002 to May 2007. She served as the deputy general manager of Haohai Limited from July 2007 to August 2010. She acted as the general manager of Shanghai Jianhua since November 2007 and thereafter an executive director since November 2010. She has been appointed as our deputy general manager since July 2010. Ms. Ren obtained a bachelor's degree in inorganic chemicals from the Department of Chemicals, Hefei University of Technology (合肥工業大學) in September 1982.

Mr. Wang Wenbin (王文斌), aged 48, is a deputy general manager of our Company. He has served as the executive deputy general manager in Shanghai Qisheng from May 1995 to until present. He has been appointed as our deputy general manager since September 2014. Mr. Wang obtained a bachelor's degree in medicine from the Second Military Medical University in July 1991 and the practicing doctor qualification in the PRC in May 1999.

Mr. Zhang Jundong (張軍東), aged 40, is a deputy general manager of our Company. He engaged in postdoctoral research in clinical medicine at the Second Military Medical University from November 2006 to October 2010. Between June 2009 to December 2013 he served at the prescription medicine business division of Xinyi Institute of Materia Medica in Shanghai Pharmaceuticals (Group) Co. Ltd. (上海醫藥(集團)有限公司處方藥事業部信誼藥物研究所) as a director of the institute and he served as the research and development director of Shanghai Xinyi Pharmaceutical Co., Ltd. (上海信誼藥廠有限公司). He has been appointed as our deputy general manager since September 2014. Mr. Zhang obtained a bachelor's degree in pharmacy in July 1994 and a doctor's degree in medicine in June 2006 from the Second Military Medical University.

For the biographical details of Mr. Wu Jianying, Mr. Ling Xihua and Mr. Huang Ping, please refer to "Executive Directors" above.

None of our Directors, Supervisors and senior management members are related to other Directors, Supervisors or senior management members.

Except as disclosed above, none of our Directors, Supervisors and senior management members has been a director of any public company, the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

Save as disclosed here, there is no other information which needs to be disclosed under Rule 13.51(2) of the Listing Rules.

JOINT COMPANY SECRETARIES

Mr. Huang Ping (黃平), aged 39, was appointed as a joint company secretary of our Company on November 17, 2014. He is also the secretary of the Board of our Company. Please refer to "Executive Directors" above for the biography of Mr. Huang.

Mr. Chiu Ming King (趙明璟), aged 37, was appointed as a joint company secretary of our Company on November 17, 2014. He also serves as a director of corporate services of Vistra Corporate Services (HK) Limited since June 2012. Prior to joining Vistra Corporate Services (HK) Limited, he

was an associate director of corporate services of TMF Hong Kong Limited from October 2009 to May 2012. Mr. Chiu has over 10 years of experience in the company secretarial field. He is currently the company secretary of Christine International Holdings Limited, a listed company in Hong Kong (stock code: 1210).

Mr. Chiu has been an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries ("HKICS") since 2003. He has been a member of the Membership Committee and Professional Services Panel of HKICS and the HKICS' representative in the Young Coalition Professional Group of The Hong Kong Coalition of Professional Services since 2013.

Mr. Chiu obtained a bachelor of arts from University of Toronto in Canada in June 1999 and received a master of arts in professional accounting and information systems from City University of Hong Kong in November 2003.

WAIVER FROM RULE 8.12 OF THE LISTING RULES

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver under Rule 8.12 of the Listing Rules regarding the requirement of management presence in Hong Kong. For details of the waiver, please see the section headed "Waivers From Strict Compliance With The Listing Rules" in this prospectus.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or grading volume of our Shares.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

EMPLOYEES

As of the Latest Practicable Date, we have a total of 523 employees. Our Directors are aware of the importance of maintaining good relationship with employees, therefore we implement financial incentives and other human resource strategies. The remuneration payable to our employees includes basic salaries and allowances. We also provide ongoing training to our employees for enhancing

their skills and their knowledge about our products and sales. We have not experienced material employee issues or suffered from business disruption due to labor disputes, nor any difficulties in employing and retaining senior employees. For the years ended December 31, 2012, 2013 and 2014, our total staff cost was RMB36.0 million, RMB41.1 million and RMB61.8 million, respectively.

COMPLIANCE WITH THE LISTING RULES AND APPENDIX 14 TO THE LISTING RULES

Our Board has reviewed relevant materials regarding the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code") and the relevant amended Listing Rules currently in force.

We aim to achieve high standards of corporate governance which is crucial to our development and safeguard the interests of our Shareholders. To accomplish this, the Company has adopted the Corporate Governance Code which will take effect upon Listing, and the Company will comply with the Corporate Governance Code after Listing.

BOARD COMMITTEES

Audit Committee

We established an audit committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code in January 2011. The audit committee consists of one non-executive Director and four independent non-executive Directors, namely: Ms. You Jie, Mr. Shen Hongbo, Mr. Li Yuanxu, Mr. Chen Huabin and Mr. Zhu Qin, with Mr. Shen Hongbo being the chairman of the committee.

The primary duties of the audit committee are to assist our Board in providing an independent view of our financial reporting process, internal control and risk management system, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

The audit committee's terms of reference can be accessed at our website at www.3healthcare.com and the website of the Stock Exchange at www.hkexnews.hk upon Listing.

Remuneration Committee

We established a remuneration committee with terms of reference in compliance with Rule 3.25 of the Listing Rules in January 2011. The remuneration committee consists of two executive Directors and three independent non-executive Directors, namely: Mr. Wu Jianying, Mr. Ling Xihua, Mr. Zhu Qin, Mr. Shen Hongbo and Mr. Li Yuanxu, with Mr. Zhu Qin being the chairman of the committee.

The primary duties of the remuneration committee are to develop remuneration policies of our Directors, evaluate the performance, make recommendations on the remuneration package of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements.

The remuneration committee's terms of reference can be accessed at our website at www.3healthcare.com and the website of the Stock Exchange at www.hkexnews.hk upon Listing.

Nomination Committee

We established a nomination committee with terms of reference in compliance with paragraph A.5.1 of the Corporate Governance Code in January 2011. The nomination committee consists of one executive Director, one non-executive Director and three independent non-executive Directors, namely: Dr. Hou Yongtai, Ms. You Jie, Mr. Li Yuanxu, Mr. Chen Huabin and Mr. Zhu Qin, with Mr. Li Yuanxu being the chairman of the committee.

The primary function of the nomination committee is to make recommendations to our Board in relation to the appointment and removal of Directors.

The nomination committee's terms of reference can be accessed at our website at www.3healthcare.com and the website of the Stock Exchange at www.hkexnews.hk upon Listing.

Strategy Committee

We established a strategy committee in January 2011, consisting of three executive Directors, one non-executive Director and one independent non-executive Director, namely: Dr. Hou Yongtai, Ms. You Jie, Mr. Wu Jianying, Mr. Huang Ping and Mr. Li Yuanxu, with Ms. You Jie being the chairlady of the committee.

The primary duties of the strategy committee include:

1. studying and providing advice on the long-term development strategy plan of our Company;
2. studying and providing advice on material matters such as external investment, purchase and sale of assets, assets pledge, provision of external guarantee, entrusted financial management, connected transactions, financing plan and development strategies;
3. studying and providing advice on material matters affecting the development of our Company;
4. reviewing the implementation of above matters; and
5. other matters authorized by the Board.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the years ended December 31, 2012, 2013 and 2014, the aggregate remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was approximately RMB2,582,000, RMB2,790,000 and RMB3,015,000 respectively. Details of our Directors' remuneration are also set out in Note 10 to the Accountants' Report in Appendix I to this prospectus.

For the years ended December 31, 2012, 2013 and 2014, the aggregate remuneration paid and benefits in kind granted to our Supervisors by us and our subsidiaries was approximately RMB224,000, RMB303,000 and RMB615,000.

For the years ended December 31, 2012, 2013 and 2014, the remuneration paid to five highest paid individuals (consisting of Directors and non-directors) were approximately RMB2,456,000, RMB2,741,000 and RMB2,901,000.

We expect the total compensation payable to our Directors and Supervisors for the year ending December 31, 2015 to be RMB3,650,000.

Save as disclosed in the section headed "Relationship with Our Controlling Shareholders" in this prospectus, none of our Controlling Shareholders, Directors, Supervisors and their respective associates are interested in any business which competes or is likely to compete with our business.

So far as the Directors are aware, immediately following the completion of the Global Offering (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option), the following persons will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity in which interests are held	Number of shares	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering (assuming no exercise of the Over-allotment Option)[1]	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering[2]	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering (assuming the Over-allotment Option is fully exercised)[3]	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering[2]
Jiang Wei[4] . .	Beneficial owner and interest of spouse	75,600,000	47.25%	63.00%	45.54%	63.00%
You Jie[5] . . .	Beneficial owner and interest of spouse	75,600,000	47.25%	63.00%	45.54%	63.00%
Lou Guoliang	Beneficial owner	10,000,000	6.25%	8.33%	6.02%	8.33%

For details of our Directors' and Supervisors' interests in the Shares immediately following the completion of the Global Offering, please refer to "Appendix VI — Statutory and General Information — 4. Disclosure of Interest — A. Disclosure of Interests of the Directors and Supervisors" to this prospectus.

(1) The calculation is based on the total number of 160,000,000 Shares in issue immediately after completion of the Global Offering (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option).

(2) The calculation is based on the percentage of shareholding in Domestic Shares of the Company after the Global Offering.

(3) The calculation is based on the total number of 166,000,000 Shares in issue immediately after completion of the Global Offering (including such amount of H Shares to be issued assuming the exercise of Over-allotment Option in full).

(4) Mr. Jiang Wei directly holds 46,800,000 Shares in our Company. He is the spouse of Ms. You Jie and therefore he is deemed under the SFO to be interested in the 28,800,000 Shares held by Ms. You Jie in our Company.

(5) Ms. You Jie directly holds 28,800,000 Shares in our Company. She is the spouse of Mr. Jiang Wei and therefore she is deemed under the SFO to be interested in the 46,800,000 Shares held by Mr. Jiang Wei in our Company.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering, 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 any member of 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. We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

THE CORNERSTONE INVESTMENTS

We have entered into cornerstone investment agreements with the following investors (the "Cornerstone Investors", each a "Cornerstone Investor"), pursuant to which the Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) as may be subscribed for an aggregate amount of US$55.0 million (or approximately HK$426.5 million) (the "Cornerstone Placing"). Assuming an Offer Price of HK$53.75, being the mid-point of the Offer Price range set forth in this prospectus, the total number of H Shares to be subscribed for by the Cornerstone Investors would be 7,937,600, representing approximately (i) 5.0% of the Shares in issue upon the completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 4.8% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Each of the Cornerstone Investors is an independent third party, is not our connected person (as defined under the Listing Rules), and is not an existing shareholder of our Company. Except for Dragon Billion, Map 109 Segregated Portfolio and Map 147 Segregated Portfolio as described further below, each of the Cornerstone Investors is independent of each other. Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around April 29, 2015.

The Cornerstone Placing forms part of the International Placing. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid H Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than and pursuant to the respective cornerstone investment agreements). Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company. In addition, Dragon Billion, Map 109 Segregated Portfolio and Map 147 Segregated Portfolio together will not become a substantial shareholder of our Company. The Cornerstone Investors do not have any preferential rights compared with other public Shareholders in the respective cornerstone investment agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any re-allocation of H Shares between the International Placing and the Hong Kong Public Offer in the event of over-subscription under the Hong Kong Public Offer as described in "Structure of the Global Offering — Hong Kong Public Offer" nor by any exercise of the Over-allotment Option to be granted by the Company to and exercisable by the Sole Global Coordinator on behalf of the international underwriters for the Global Offering.

OUR CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with the following Cornerstone Investors in respect of the Cornerstone Placing:

	Based on the Offer Price of HK$53.75				
	Investment Amount (US$ in millions)	Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)	Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)
Dragon Billion/Map 109 Segregated Portfolio/Map 147 Segregated Portfolio	25.0	2.3%	2.2%	9.0%	7.8%
Prudence Investment Management (Hong Kong) Limited	30.0	2.7%	2.6%	10.8%	9.4%

Our Cornerstone Investors are set out below:

Dragon Billion China Master Fund ("Dragon Billion"), LMA SPC on behalf of Map 109 Segregated Portfolio ("Map 109 Segregated Portfolio") and LMA SPC on behalf of Map 147 Segregated Portfolio ("Map 147 Segregated Portfolio")

Dragon Billion, Map 109 Segregated Portfolio and Map 147 Segregated Portfolio have agreed to subscribe for such number of Shares (rounded to the nearest whole board lot) which may be purchased with an aggregate amount of US$25.0 million (or approximately HK$193.9 million) at the Offer Price. Assuming an Offer Price of HK$53.75, being the mid-point of the Offer Price range set forth in this prospectus, (i) Dragon Billion will subscribe for approximately 3,030,720 H Shares, representing approximately 1.9% of the Shares upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), (ii) Map 109 Segregated Portfolio will subscribe for approximately 144,320 H Shares, representing approximately 0.1% of the Shares upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), and (iii) Map 147 Segregated Portfolio will subscribe for approximately 432,960 H Shares, representing approximately 0.3% of the Shares upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

Dragon Billion is an exempted company incorporated in the Cayman Islands with limited liability in July 2008. Each of Map 109 Segregated Portfolio and Map 147 Segregated Portfolio is a segregated portfolio of LMA SPC. LMA SPC is an exempted company incorporated in the Cayman Islands and established as a segregated portfolio company with limited liability in November 2005. Dragon Billion, Map 109 Segregated Portfolio and MAP 147 Segregated Portfolio focus on the investments of Chinese companies listed in the PRC, Hong Kong, the United States and other global markets. All three funds are managed by Prime Capital Management Company Limited ("Prime Capital"), a limited liability company registered in Hong Kong since July 2004. Prime Capital obtained the licenses from the SFC and the U.S. Securities & Exchange Commission in September 2004 and March 2006, respectively. Prime Capital had assets under management of US$2.4 billion as of 31 December 2014.

Prudence Investment Management (Hong Kong) Limited ("Prudence")

Prudence has agreed to subscribe for such number of Shares (rounded to the nearest whole board lot) which may be purchased with an aggregate amount of US$30.0 million (or approximately HK$232.7 million) at the Offer Price. Assuming an Offer Price of HK$53.75, being the mid-point of the Offer Price range set forth in this prospectus, Prudence will subscribe for approximately 4,329,600 H Shares, representing approximately 2.7% of the Shares upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

Prudence was incorporated in Hong Kong in 2008, and a holder of SFC Type 9 Asset Management license. Prudence acts as an investment adviser for institutional and high net worth individuals through multiple investment funds. Prudence is subscribing for the Offer Shares as an agent for and on behalf of certain funds managed or advised by it. Prudence aims to pursue stable income as well as capital appreciation, by investing in listed financial instruments issued by companies with significant business exposure in Greater China.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Cornerstone Investors and its ultimate beneficial owners is an Independent Third Party not connected with us and will not be a substantial shareholder of our Company upon Listing and during the six-months lock-up period as described below. Accordingly, the shareholdings of such Cornerstone Investors in our Company will be counted towards the public float of our H Shares.

CONDITIONS PRECEDENT FOR CORNERSTONE INVESTMENTS

The obligation of each of the Cornerstone Investors to subscribe for the Offer Shares is subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Purchase Agreement being entered into, having become effective and unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the relevant parties thereto) by no later than the time and date as specified in such underwriting agreements (or such other time and date as may be agreed between the parties thereto);

(b) none of the aforesaid underwriting agreements having been terminated;

(c) that no laws shall have been enacted or promulgated by any governmental authority which prohibit the consummation of the closing of the subscription of the offer Shares in accordance with the terms and conditions of such cornerstone investment agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such closing;

(d) that the respective representation, warranties undertakings, acknowledgment, guarantees and confirmations of the Cornerstone Investors under the relevant cornerstone investment agreement are and will be accurate and true in all material respects and not misleading, and that there is no breach of the relevant cornerstone investment agreement on the part of the respective Cornerstone Investor; and

(e) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the H Shares.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has covenanted with and undertaken to us, the Sole Sponsor and the Sole Global Coordinator that unless it has obtained our prior written consent to do otherwise, it will not at any time during the period of six months following the Listing Date (the "Lock-up Period"), dispose of (as defined in the Cornerstone Investment Agreements) any Offer Shares subscribed for pursuant to the relevant cornerstone investment agreement or any interest in any company or entity holding any of the Shares. Each of the Cornerstone Investors may transfer the Offer Shares so subscribed for in certain limited circumstances, such as transfer to any wholly-owned subsidiary of such Cornerstone Investor and any such transfer can only be made when the transferee agrees to be bound by the same obligations of the Cornerstone Investor, including without limitation the Lock-up Period.

This section presents certain information regarding our share capital prior to and immediately following the completion of the Global Offering.

BEFORE THE GLOBAL OFFERING

As at the Latest Practicable Date, our share capital was RMB120,000,000 comprising 120,000,000 Domestic Shares with a nominal value of RMB1.00 each and the particulars of our shareholding structure were as follows:

Shareholder	Class	Number of shares	Approximate percentage of issued share capital
Jiang Wei	Domestic Shares	46,800,000	39.00%
You Jie	Domestic Shares	28,800,000	24.00%
Lou Guoliang	Domestic Shares	10,000,000	8.33%
Other 19 holders of Domestic Shares[(1)]	Domestic Shares	34,400,000	28.67%
Total		120,000,000	100.00%

Notes:

(1) Other 19 holders of Domestic Shares include: Ling Xihua, Wu Jianying, Hou Yongtai, Peng Jinhua, Huang Ping, Shen Rongyuan, Tao Weidong, Liu Yuanzhong, Wang Wenbin, Fan Jipeng, Wu Ming, Gan Renbao, Chen Yiyi, Zhao Meilan, Shi Xiaoli, Zhong Jingjing, Liu Jun, Wu Yazhen and Lu Rujuan. Please refer to "History and Development — Group Structure before Listing" for their respective shareholding.

UPON COMPLETION OF THE GLOBAL OFFERING:

Immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised, our total issued share capital will be as follows, comprising 120,000,000 Domestic Shares and 40,000,000 H Shares:

Shareholder	Class	Number of shares	Approximate percentage of issued share capital
Jiang Wei	Domestic Shares	46,800,000	29.25%
You Jie	Domestic Shares	28,800,000	18.00%
Lou Guoliang	Domestic Shares	10,000,000	6.25%
Other 19 holders of Domestic Shares[(1)]	Domestic Shares	34,400,000	21.50%
Holder of H Shares	H Shares	40,000,000	25.00%
Total		160,000,000	100.00%

Note:

(1) Each of the other 19 holders of Domestic Shares does not hold more than 5% of our total share capital after the Global Offering.

Immediately after completion of the Global Offering, assuming that the Over-allotment Option is exercised in full, our total issued share capital will be as follows, comprising 120,000,000 Domestic Shares and 46,000,000 H Shares:

Shareholder	Class	Number of shares	Approximate percentage of issued share capital
Jiang Wei	Domestic Shares	46,800,000	28.19%
You Jie	Domestic Shares	28,800,000	17.35%
Lou Guoliang	Domestic Shares	10,000,000	6.02%
Other 19 holders of Domestic Shares[(1)]	Domestic Shares	34,400,000	20.72%
Holder of H Shares	H Shares	46,000,000	27.71%
Total		166,000,000	100.00%

Note:

(1) Each of the other 19 holders of Domestic Shares does not hold more than 5% of our total share capital after the Global Offering.

PUBLIC FLOAT REQUIREMENTS

Rules 8.08(1)(a) and (b) of the Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital and must have an expected market capitalization at the time of listing of not less than HK$50 million.

Based on the information in the above tables, our Company will meet the public float requirement under the Listing Rules after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full).

OUR SHARES AND RANKING

Domestic Shares and H Shares are both ordinary shares in the share capital of the Company. However, H Shares may only be subscribed for by, and traded in HK dollars between, qualified domestic institutional investors, legal or natural persons of Hong Kong, Macau, Taiwan or any country other than the PRC. Domestic Shares, on the other hand, may only be subscribed for by, and traded between, qualified foreign institutional investors, legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan). All dividends in respect of H Shares are to be declared in Renminbi and paid by the Company in HK dollars whereas all dividends in respect of Domestic Shares are to be declared and paid by the Company in Renminbi.

All of the Domestic Shares are held by the 22 existing Shareholders. Shares which were issued by the Company before the Global Offering may not be transferred within a year from the date of the listing of H Shares of the Company on the Stock Exchange. Upon the approval of the relevant regulatory authorities of the PRC and Hong Kong, the Domestic Shares may be converted into H Shares. Save as described above and in relation to the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different parts of the register of shareholders, the method of share transfer and the appointment of dividend receiving agents circumstances under which general meeting and class meeting are required, which are all provided for in the Articles of Association and summarized in Appendix V to this prospectus, the Domestic Shares and H Shares will rank pari passu with each other in all aspects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to restrictions imposed by PRC laws from time to time.

GENERAL MEETING AND CLASS MEETING

For details of circumstances under which our shareholders' general meetings and class shareholders' meetings are required, please refer to "Notice of Meetings and Business to be Conducted Thereat" and "Variation of Rights of Existing Shares or Classes of Shares" under "Appendix V — Summary of the Articles of Association" to this prospectus.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

Upon the completion of the Global Offering, we have two classes of ordinary shares, H Shares and Domestic Shares. Our Domestic Shares are unlisted Shares which are currently not listed or traded on any stock exchange. According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required if any of our unlisted Shares are to be converted into and traded as H Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our unlisted Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted Shares on an overseas stock exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial Listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Please refer to "Risk Factors — Risks Relating to the Global Offering — Future sales or perceived sales or conversion of substantial amounts of our H Shares in the public market could have a material adverse effect on the prevailing market price of our H Shares, and may result in dilution of your interests".

Mechanism and Procedure for Conversion

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant unlisted Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (a) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H- Share certificates and (b) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of our Shareholders currently proposes to convert any of the unlisted Shares held by it into H Shares.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on any overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 business days upon its listing.

OVERVIEW

We are a leading company in China focusing on the research and development, manufacturing and sales of absorbable biomedical materials. Absorbable biomedical materials are non-toxic, biodegradable in the human body and can be used for a variety of indications primarily in various general and specialty surgeries. We strategically target the fast-growing therapeutic areas in the absorbable biomedical material market in China, including orthopedics (骨科), anti-adhesion and hemostasis (防粘連及止血), ophthalmology (眼科) and wound care and tissue filling (創面護理及組織填充).

We currently manufacture and sell 14 biomedical products, among which three are classified by CFDA as pharmaceutical products (including two chemical drugs and one biological product) and 11 are classified by CFDA as Class III medical devices. We have strong research and development capabilities. All our key products were developed by our internal research and development team in collaboration with various universities, research institutions and large Class III hospitals in China. As of December 31, 2014, we had a pipeline of 11 products in various stages of development, among which one was preparing for manufacturing permit application, two had completed clinical trials, three were at various stages of clinical trial or type inspection, and five were at pre-clinical or technology research stage.

Our management team has a proven track record and extensive experience in identifying, acquiring and integrating strategic assets. We focus on strategic assets that help broaden our product offerings and enhance our vertical integration. Leveraging our management's deep understanding of the biomedical materials industry, we were able to selectively acquire suitable biopharmaceutical or biomedical materials companies and implement our overall business strategies to accelerate the growth of our business. Our history traces back to 2007, when we gained control of our Songjiang Factory which manufactures several HA and rhEGF products. We further consolidated Shanghai Jianhua and Shanghai Qisheng in 2007. Since then, we have generated our revenue primarily from such three production facilities. As a result of our management team's efforts on the integration and consolidation of Shanghai Jianhua and Shanghai Qisheng, our sales in our audited consolidated financial statements prepared in accordance with the PRC GAAP increased from RMB95.8 million in 2008 to RMB520.3 million in 2014, while our net profit in our audited consolidated financial statements prepared in accordance with the PRC GAAP increased from RMB25.4 million in 2008 to RMB183.6 million in 2014.

The pharmaceutical products included in the Medical Insurance Catalogues in China are subject to price controls by the NDRC, either at the national level or the provincial level. Price controls are mainly in the form of maximum retail prices. The PRC government authorities do not impose restrictions over the prices at which pharmaceutical products may be sold to distributors, hospitals and other medical institutions; however, maximum retail prices indirectly limit the selling prices at which we can sell the relevant products to distributors. In addition, substantially all of our products are sold to public hospitals and other medical institutions in China, which must make substantially all of their purchases of pharmaceutical and medical device products through a centralized tender process.

For 2012, 2013 and 2014, our total revenue was RMB303.1 million, RMB401.1 million and RMB515.9 million, respectively, representing a CAGR of 30.5% from 2012 to 2014. For 2012, 2013 and 2014, our net profit was RMB113.9 million, RMB141.5 million and RMB183.6 million, respectively, representing a CAGR of 27.0% from 2012 to 2014, and our gross profit margin was 83.4%, 86.3% and 87.2%, respectively.

In order to further strengthen our sales force and to supplement the coverage of our distribution network, we invested in Shanghai Baiyue in 2015, which owns a permit for medical device distribution enterprise and became a non-wholly owned subsidiary of our Company in February 2015. While Shanghai Baiyue currently does not have any significant operations, we expect Shanghai Baiyue to engage in the distribution of our medical device products going forward. Please refer to Appendix IA to this prospectus for further details of the financial information of Shanghai Baiyue.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial position and results of operations have been, or are expected to be in the future, significantly affected by a number of factors, many of which may be beyond our control. A discussion of certain of the key factors is set out below.

The Growth of the Medical Devices, Chemical Drugs and Biological Products Markets in China

We focus on the research and development, manufacturing and sale of absorbable biomedical materials that are primarily made of medical sodium hyaluronate, medical chitosan and medical collagen. Under the CFDA classification, our products are categorized as medical devices, chemical drugs and biological product. We believe that the overall growth of the medical devices, chemical drugs and biological products markets in China has significantly impacted, and will continue to significantly impact, our revenue growth. According to SME Research, the medical devices market in China grew from RMB79.0 billion in 2008 to RMB188.9 billion in 2013, representing a CAGR of 19.1%, the chemical drugs market in China grew from RMB225.0 billion in 2008 to RMB573.1 billion in 2013, representing a CAGR of 20.6%, and the biological products market in China grew from RMB79.5 billion in 2008 to RMB238.1 billion in 2013, representing a CAGR of 24.5%.

According to SME Research, the medical devices, chemical drugs and biological products markets in China are expected to continue to grow as a result of China's steady growth of GDP and disposable income, aging population and expansion of medical insurance coverage. We believe we are well-positioned to capture the expected growth within the medical devices, chemical drugs and biological products markets in China through our focus on orthopedics, anti-adhesion and hemostasis, ophthalmology and wound care and tissue filling, which are fast-growing therapeutic areas in China. Please refer to "Industry Overview — Medical Devices, Chemical Drugs and Biological Products Markets in China" for further details.

Our Development and Commercialization of New Products

We believe our ability to develop new products through our research and development capabilities will be the driving force behind our long-term competitiveness, as well as our future growth and development. Our market-driven research and development efforts focus on products that address a variety of indications within China's fast-growing therapeutic areas, with a focus on products that have the potential for future commercialization in global markets. We prioritize our research and

development spending on key products that we believe have the greatest potential within our target therapeutic areas. In 2012, 2013 and 2014, our research and development costs were RMB17.6 million, RMB23.5 million and RMB26.5 million, respectively, accounting for 5.8%, 5.9% and 5.1% of our total revenue for the respective period.

As of December 31, 2014, we had a pipeline of 11 products in various stages of development, among which one was preparing for manufacturing permit application, two had completed clinical trials, three were at various stages of clinical trial or type inspection, and five were at pre-clinical or technology research stage. Please refer to "Business — Product Pipeline" for further details of our product pipeline.

We generally begin preparing for the marketing and promotion of each new product one year before its expected launch date to help maximize sales. Therefore it requires us to incur marketing and promotion expenses prior to the recognition of associated revenue. We expect accelerated growth in sales of our new products during the first three years after launch, followed by an extended period of steady growth.

Our ability to successfully develop and commercialize our new products in the manner we contemplate and to achieve the sales we expect is subject to a number of risks and uncertainties, many of which are beyond our control. Please refer to "Risk Factors — Risks Relating to Our Business and Industry — We may face uncertainty for the development of new products" for further details of the relevant risks.

The Inclusion of Our Products in the Medical Insurance Catalogues and Related PRC Price Controls

Under the national medical insurance program in China, patients enrolled in the national medical insurance program are entitled to reimbursement of all or a portion of the cost of pharmaceutical and medical device products listed in the Medical Insurance Catalogues. According to SME Research, approximately 1,370 million people in China were enrolled in the national medical insurance program as of December 31, 2013. Consequently, the inclusion or exclusion of a pharmaceutical or medical device product in the Medical Insurance Catalogues may significantly affect the demand for our products in China. As of the Latest Practicable Date, our sodium hyaluronate injection and rhEGF products were included in the national Medical Insurance Catalogue. We believe the inclusion of these products in the Medical Insurance Catalogues has significantly increased our sales volumes for these products. Our ability to maintain or increase our sales volumes for these products in the future, as well as to achieve the sales volumes expected for new products introduced in China, significantly depends on the inclusion of these products in the relevant Medical Insurance Catalogues.

However, our products included in the Medical Insurance Catalogues are subject to price controls by the NDRC, either at the national level or the provincial level. Price controls are mainly in the form of maximum retail prices for pharmaceutical products, which indirectly limit the selling prices at which we can sell the relevant products to distributors. Retail prices of pharmaceutical products under price controls are determined based on a variety of factors including the profit margins that the relevant government authorities deem reasonable, the product's type, quality and production costs, as well as the prices of substitute products.

During the Track Record Period, the NDRC lowered the maximum retail prices for medical sodium hyaluronate injection and rhEGF by approximately 5.0% and 4.9%, respectively. Such price adjustments did not have a material adverse impact on our results of operations. However, controls over and adjustments to retail prices of pharmaceutical products, if significant or if implemented in regions or provinces where we have significant sales, could have a corresponding impact on the prices at which we sell such products to our distributors, and consequently our gross profits and gross profit margins. Please refer to "Risk Factors — Risks Relating to Our Business and Industry — The retail prices of our sodium hyaluronate injection and rhEGF products are subject to price controls by the PRC government authorities." for further details of risks associated with price controls.

To mitigate the risks associated with potential price control measures imposed on our products and to lessen the potential impact on our business and results of operations, we expect to seek to continuously expand our product portfolio to reduce our reliance on any single product or small group of products.

The Centralized Tender Processes for Sales to PRC Public Medical Institutions

All of our products sold to public hospitals and medical institutions in China, whether directly or through distributors, are required to go through a centralized tender process. We submit bids in a tender process to supply our products to these institutions at specified prices. Our bids are generally considered on the basis of, among other things, price relative to substitute products and their clinical effectiveness, reputation and size of the bidders as well as the quality of our products and services. If we are successful in winning bids in a centralized tender process, the relevant products will be sold to the public medical institutions at the bid prices, which in part determine the prices at which we sell our products to our distributors. The centralized tender process can create pricing pressure among substitute products or products that are perceived to be substitute products. Our bidding strategy generally focuses on differentiating our products instead of competing solely based on pricing. Thus, our sales volumes and profitability depend on our ability to successfully differentiate our products and price our bids in a manner that enables us to succeed in the centralized tender processes at profitable levels.

If we are unable to differentiate our products or are otherwise not successful in winning bids in the centralized tender processes at profitable levels in the future, we will lose the revenue associated with the sale of the affected medical device and pharmaceutical products to the relevant public hospitals and other medical institutions. Please refer to "Risk Factors—Risks Relating to Our Business and Industry—If we are unable to win bids to sell our products to PRC public hospitals through the centralized tender processes, we will lose market share and our revenues and profitability could be adversely affected." for further details of the risks associated with the centralized tender process.

Our Strategic Acquisitions

Acquisitions of suitable pharmaceutical or medical device companies or assets that are complementary to our existing businesses and operations are crucial for our expansion. We intend to continue to accelerate our business growth through selective acquisitions. In general, we identify pharmaceutical or medical device companies or assets that could further expand our product offerings or help us achieve greater synergy. In addition, we integrate acquired companies or assets by: (i) unifying business model and optimizing organization structure of the acquired companies and

assets; (ii) restructuring their sales and marketing models by leveraging our existing sales and marketing infrastructure so as to increase the direct marketing and promotion of these products; (iii) providing access to our extensive network of hospitals and other medical institutions coverage; and (iv) upgrading their production facilities to improve efficiency.

Our history traces back to 2007, when we gained control of our Songjiang Factory which manufactures several HA and rhEGF products. We further consolidated Shanghai Jianhua and Shanghai Qisheng in 2007. Since then, we have generated our revenue primarily from such three production facilities. As a result of our management team's efforts on the integration and consolidation of Shanghai Jianhua and Shanghai Qisheng, our sales in our audited consolidated financial statements prepared in accordance with the PRC GAAP increased from RMB95.8 million in 2008 to RMB520.3 million in 2014, while our net profit in our audited consolidated financial statements prepared in accordance with the PRC GAAP increased from RMB25.4 million in 2008 to RMB183.6 million in 2014.

Our Preferential Tax Treatments

Our Company and two of our PRC operating subsidiaries were first accredited as High and New Technology Enterprises in 2008, which entitled us to a preferential PRC income tax rate of 15% as compared to the 25% statutory income tax rate. High and New Technology Enterprises status is re-evaluated every three years. Our current High and New Technology Enterprises certificates were issued on September 4, 2014 with a valid term of three years, and therefore our Company and two of our PRC operating subsidiaries are entitled to the preferential tax rate of 15% for each of 2014, 2015 and 2016, and we do not foresee any legal obstacle to maintain the High and New Technology Enterprise status. In 2012, 2013 and 2014, our income tax expenses was reduced by RMB13.0 million, RMB16.6 million and RMB21.4 million, respectively, as a result of such preferential tax treatments.

Our preferential tax treatments, tax concessions and tax allowances may not be renewed due to many factors, many of which are beyond our control. Please refer to "Risk Factors—Risks Relating to our Business and Industry— Our profitability could be adversely affected if we could not continue to receive preferential tax treatment or government grants." for further details of the risks and uncertainties involved.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The discussion and analysis of our financial position and results of operations are based on the consolidated financial statements prepared in accordance with IFRSs to this prospectus. Preparation of our individual and consolidated financial information requires us to make estimates and judgments in applying certain critical accounting policies which may have a significant impact on our consolidated results. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ from these estimates under different assumptions and conditions. The following discussion provides supplemental information on our critical accounting policies, certain of which require estimates and assumptions from our Directors.

Revenue Recognition

We recognize revenue from the sale of pharmaceutical and medical device products when we transfer to the buyer, typically one of our distributors, the significant risks and rewards of ownership, provided that we maintain neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. When we sell our products to distributors, they are typically required to inspect the products on delivery, and must notify us and obtain our written consent before damaged products can be returned or exchanged. Any products that have been accepted on delivery are not eligible for returns. Consequently, we typically recognize revenue from the sale of products at the invoice price once our distributors have accepted our products for delivery. Please refer to Note 4 "Summary of Significant Accounting Policies—Revenue Recognition" to the Accountants' Report included in Appendix I to this prospectus for further details of our revenue recognition accounting policy.

Property, Plant and Equipment and Depreciation

Our property, plant and equipment primarily consist of our office and production buildings, plant and machinery as well as other facilities and related equipment (including construction in progress). We state property, plant and equipment, other than construction in progress, at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment generally comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement.

We depreciate property, plant and equipment on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3.8%
Plant and machinery	9.5% - 19.0%
Motor vehicles	19.0% - 23.8%
Office equipment and others	9.5% - 31.7%
Leasehold improvements	20.0%

Within these parameters, we determine the estimated useful lives, residual value and related depreciation charges for property, plant and equipment based on our historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Our management will increase the depreciation charge when useful lives are less than previously estimated lives, or will write off or written down technically obsolete or non-strategic assets that have been abandoned or sold. We review and adjust, if appropriate, the residual value, the useful lives and the depreciation method for property, plant and equipment at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings or plant under construction, which is stated at cost less any impairment losses, and is not depreciated. Costs compromises the direct costs of constructions during the period of construction. construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Please refer to Note 4 "Summary of Significant Accounting Policies — Property, Plant and Equipment and Depreciation"; Note 5 "Significant Accounting Judgments And Estimates — Estimation Uncertainty — Useful Lives and Residual Value of Property, Plant and Equipment" and Note 14 "Property, Plant and Equipment" to the Accountants' Report included in Appendix I to this prospectus for further details.

Intangible Assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Research and development costs

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Research and development cost which does not meet these criteria is expensed when incurred.

Please refer to Note 4 "Summary of Significant Accounting Policies — Intangible Assets (Other than Goodwill)" included in Appendix I to this prospectus for further details of our accounting policies for research and development costs.

Impairment of Trade Receivables

The provision policy for impairment of trade receivables is based on ongoing evaluation of the collectability and aging analysis of the outstanding receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realization of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

Please refer to Note 5 "Significant Accounting Judgments And Estimates — Estimation Uncertainty — Impairment of Trade Receivables"; Note 20 "Trade and Bills Receivables"; and Note 21 "Prepayments, Deposits and Other Receivables" to the Accountants' Report included in Appendix I to this prospectus for further details.

Inventories

Inventories are stated at the lower of costs and net realizable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labors and an appropriate proportion of overheads based on normal operating capacity. Net realizable value is based on estimated selling prices less estimated costs to be incurred to completion and disposal. During the Track Record Period, the Group did not have any significant inventory provision.

Please refer to Note 4 "Summary of Significant Accounting Policies—Inventories" to the Accountants' Report included in Appendix I to this prospectus for further details of our accounting policies on inventories.

Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each period of the Track Record Period, taking into consideration prevailing interpretations and practices.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each period of the Track Record Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, subject to certain exceptions.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that

it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized, subject to certain exceptions.

The carrying amount of deferred tax assets is reviewed at the end of each period of the Track Record Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each period of the Track Record Period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each period of the Track Record Period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

RESULTS OF OPERATIONS

The following table sets forth our consolidated statement of profit or loss data and each item as a percentage of our total revenue for the periods indicated derived from our consolidated statements of profit or loss and other comprehensive income set out in the Accountants' Report included in Appendix I to this prospectus.

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Revenue	303,065	401,088	515,940
Cost of sales	(50,313)	(54,836)	(65,883)
Gross profit	252,752	346,252	450,057
Other income and gains	10,835	23,677	30,764
Selling and distribution expenses	(72,537)	(143,315)	(187,191)
Administrative expenses	(36,272)	(34,221)	(48,960)
Research and development costs	(17,575)	(23,521)	(26,460)
Other expenses	(3,771)	(2,405)	(2,594)
Profit before tax	133,432	166,467	215,616
Income tax expense	(19,490)	(24,946)	(32,034)
Profit and total comprehensive income for the year	113,942	141,521	183,582

DESCRIPTION OF SELECTED COMPONENTS OF STATEMENTS OF INCOME

Revenue

We generate our revenue from our sales of pharmaceutical (including chemical drugs and biological products) and medical device products. We manage our business by product categories in accordance with their respective indications. We currently divide our major products into four therapeutic areas. The following table sets forth a breakdown of our revenue, by amount and as a percentage of our total revenue, from the sale of products by therapeutic area for the periods indicated:

	For the year ended December 31,					
	2012		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%
Orthopedics						
Sodium hyaluronate injection	91,005	30.1	165,721	41.3	206,624	40.0
Sodium hyaluronate gel	29,662	9.8	27,605	6.9	3,584	0.7
Chitosan injection	2,539	0.8	5,530	1.4	26,630	5.2
Total Orthopedics	123,206	40.7	198,856	49.6	236,838	45.9
Anti-adhesion and hemostasis						
Sodium hyaluronate gel	43,259	14.3	47,317	11.8	52,195	10.1
Chitosan injection	70,853	23.4	87,894	21.9	93,780	18.2
Medical collagen sponge	7,676	2.5	4,673	1.2	9,328	1.8
Total anti-adhesion and hemostasis	121,788	40.2	139,884	34.9	155,303	30.0
Ophthalmology						
OVD	50,432	16.6	52,748	13.2	66,963	13.0
Lubricant eye drops	308	0.1	95	0.0	17	0.0
Total ophthalmology	50,740	16.7	52,843	13.2	66,980	13.0
Wound care and tissue filling						
rhEGF	7,331	2.4	9,505	2.3	31,248	6.1
Cross-linked sodium hyaluronate gel	—	—	—	—	25,571	5.0
Total wound care and tissue filling	7,331	2.4	9,505	2.3	56,819	11.1
Total	303,065	100.0	401,088	100.0	515,940	100.0

The following table sets forth the sales volumes, the average selling prices and the gross profit margins of our major products during the Track Record Period:

	2012			2013			2014		
Product category	**Sales Volume**	**Average Selling Price**	**Gross Margin**	**Sales Volume**	**Average Selling Price**	**Gross Margin**	**Sales Volume**	**Average Selling Price**	**Gross Margin**
	'000 Units	**RMB per Unit**	**%**	**'000 Units**	**RMB per Unit**	**%**	**'000 Units**	**RMB per Unit**	**%**
Orthopedics									
Sodium hyaluronate injection (玻璃酸鈉注射液)	1,416	64	87%	2,026	82	90%	2,706	76	89%
Sodium hyaluronate gel (透明質酸鈉凝膠)	367	81	87%	276	100	88%	27	133	90%
Chitosan injection (幾丁糖注射劑)	23	110	91%	43	129	93%	211	126	92%
Anti-adhesion and hemostasis									
Sodium hyaluronate gel (透明質酸鈉凝膠)	545	79	79%	586	81	82%	684	76	81%
Chitosan injection (幾丁糖注射劑)	586	121	85%	613	143	87%	672	140	90%
Medical collagen sponge (醫用膠原蛋白海綿)	52	148	97%	33	142	96%	91	103	95%
Ophthalmology									
OVD (眼科黏彈劑)	1,262	40	78%	1,299	41	77%	1,383	48	76%
Lubricant eye drops (潤眼液)	4	77	77%	2	48	63%	0[(1)]	85	82%
Wound care and tissue filling									
rhEGF (外用重組人表皮生長因子)	278	26	66%	404	24	72%	566	55	88%
Cross-linked sodium hyaluronate gel (皮下填充劑)	—	—	—	—	—	—	47	544	97%

Note:

(1) The actual sales volume for lubricant eye drops in 2014 is less than 1000 units.

Cost of Sales

Cost of sales for our products primarily consists of raw materials costs, staff costs for personnel involved in production activities and manufacturing costs. The following table sets forth a breakdown of our cost of sales, by amount and as a percentage of our total cost of sales, for the periods indicated:

	Year ended December 31,					
	2012		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%
Cost of Sales						
Raw materials costs	31,510	62.6	34,547	63.0	41,572	63.1
Staff costs	6,241	12.4	7,129	13.0	7,481	11.4
Manufacturing costs	12,562	25.0	13,160	24.0	16,830	25.5
Total	50,313	100.0	54,836	100.0	65,883	100.0

Our cost of raw materials primarily relates to:

- glass syringes for injection products;
- basic and active pharmaceutical ingredients and pharmaceutical intermediate products such as HA powder; and
- alcohol.

The following table sets forth a breakdown of our raw material costs by major raw materials for the periods indicated:

	Year ended December 31					
	2012		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%
Raw material costs						
Glass syringes	16,312	51.8	18,083	52.3	22,090	53.1
HA powder	3,937	12.5	4,753	13.8	4,561	11.0
Alcohol	2,112	6.7	4,145	12.0	2,368	5.7
Packaging materials and other raw materials	9,149	29.0	7,566	21.9	12,553	30.2
Total	31,510	100.0	34,547	100.0	41,572	100.0

Our cost of sales increased during the Track Record Period as our revenue grew during the same period. We did not experience any significant fluctuation in raw material prices during Track Record Period.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. In 2012 and 2013 and 2014, our gross profit was RMB252.8 million, RMB346.3 million and RMB450.1 million respectively, and our gross profit

margin was 83.4%, 86.3% and 87.2%, respectively. The increase of our gross profit margin from 2012 to 2013 was driven in part by the increase in selling prices of our sodium hyaluronate products in connection with the implementation of our pricing and marketing strategies for these products since the second half of 2012, and the increase of average selling prices of chitosan products due to adjustments in our specification. The increase of our gross profit margin from 2013 to 2014 was driven in part by the launch of our new dermal filler products with higher gross profit margins in 2014.

Other Income and Gains

Our other income and gains primarily consist of interest income, government grants and gain on disposal of items of property, plant and equipment. The government grants we received from various local government authorities in Shanghai during the Track Record Period were primarily in connection with local government's support to innovative enterprises. The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Other Income and Gains			
Interest income	2,440	3,820	3,703
Government grants	6,831	17,918	25,664
Gain on disposal of items of property, plant and equipment	—	—	353
Exchange gains	—	6	1
Others	1,564	1,933	1,043
Total	10,835	23,677	30,764

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of:

- travel expenses, which primarily consist of the transportation and lodging costs in relation to marketing and promotion activities;
- conference expenses, which primarily consists of the costs of sponsorship and attendance at conferences;
- exhibition and advertising expenses, which primarily consists of the cost of advertising our products;
- office and other promotion expenses, which primarily consists of office expenses and the costs of our marketing promotional activities and other promotional fees;
- staff costs, which primarily consists of the salaries, wages, bonus and other compensation and benefits for our marketing and promotion staff; and
- other selling and distribution expenses that are directly related to our marketing and promotion activities.

The following table sets forth a breakdown of our selling and distribution expenses, by amount and as a percentage of our total selling and distribution expenses, for the periods indicated:

	Year ended December 31					
	2012		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%
Selling and Distribution Expenses						
Travel expenses	33,283	45.9	76,015	53.0	92,515	49.4
Conference expenses	8,885	12.3	20,283	14.3	36,357	19.4
Exhibition and advertising expenses	3,294	4.5	8,951	6.2	26,000	13.9
Office and other promotion expenses	14,967	20.6	23,364	16.3	13,744	7.4
Staff costs	4,739	6.5	5,587	3.9	9,624	5.1
Others	7,369	10.2	9,115	6.3	8,951	4.8
Total	72,537	100.0	143,315	100.0	187,191	100.0

Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs, which primarily consist of compensation for management and administrative staff, as well as directors' fees; (ii) depreciation and amortization; (iii) travel expenses; (iv) office expenses; (v) consulting fees; and (vi) other administrative expenses.

The following table sets forth a breakdown of our administrative expenses, by amount and as a percentage of our administrative expenses, for the periods indicated:

	Year ended December 31,					
	2012		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%
Administrative Expenses						
Staff costs	16,085	44.3	17,288	50.5	26,179	53.5
Depreciation and amortization	3,809	10.5	5,094	14.9	5,344	10.9
Travel expenses	3,213	8.9	2,381	7.0	4,153	8.5
Office expenses	1,870	5.2	1,107	3.2	1,492	3.0
Consulting fees	3,576	9.9	218	0.6	3,915	8.0
Others	7,719	21.2	8,133	23.8	7,877	16.1
Total	36,272	100.0	34,221	100.0	48,960	100.0

Research and Development Expenses

Our research and development expenses primarily consist of (i) staff costs, which primarily consist of compensation for our research and development staff; (ii) direct research and development expenses, which consists of raw material costs, equipment maintenance costs and testing expenses; (iii) depreciation and amortization of research and development equipment; (iv) fees paid to external research and development partners; and (v) other research and development expenses.

We expensed the research and development costs incurred for our research and development projects to profit or loss during the Track Record Period on the basis that it is uncertain whether we are able to obtain the drug or medical device registration certificates from CFDA for the manufacturing and sale of the new products which can generate future economic benefits.

The following table sets forth a breakdown of our research and development expenses, by amount and as a percentage of our research and development expenses, for the periods indicated:

	Year ended December 31,					
	2012		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%
Research and development Expenses						
Staff costs	8,721	49.6	11,101	47.2	16,045	60.6
Direct research and development expenses	5,437	31.0	5,933	25.2	5,513	20.8
Depreciation and amortization	1,024	5.8	1,042	4.4	1,557	5.9
Fees paid to external research and development partners	761	4.3	2,221	9.5	2,509	9.5
Others	1,632	9.3	3,224	13.7	836	3.2
Total	17,575	100.0	23,521	100.0	26,460	100.0

Other Expenses

Our other expenses primarily consist of donations, loss on disposals of property, plants and equipment and miscellaneous expenses. In 2012 and 2013 and 2014, our other expenses were RMB3.8 million, RMB2.4 million and RMB2.6 million, respectively.

Profit Before Tax

In 2012, 2013 and 2014, our profit before tax was RMB133.4 million, RMB166.5 million and RMB215.6 million, respectively.

Income Tax Expense

Our income tax expense consists of current tax and deferred tax. Our effective tax rates were 14.6%, 15.0% and 14.9% in the years ended December 31, 2012, 2013 and 2014, respectively. We have paid all relevant taxes in accordance with tax regulations and have not had any disputes or unresolved tax issues with the relevant tax authorities.

The following table sets forth a breakdown of our income tax expense for the periods indicated:

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Income Tax Expense			
Current tax:	20,363	26,929	33,538
Deferred tax	(873)	(1,983)	(1,504)
Total tax charge for the year	19,490	24,946	32,034

Please refer to "Financial Information—Factors Affecting Our Results of Operations—Our Preferential Tax Treatments" and Note 11 "Income Tax" to the Accountants' report included in Appendix I to this prospectus for further details of applicable tax rate and the preferential tax treatments we receive during the Track Record Period.

Profit and Total Comprehensive Income For the Year

In 2012, 2013 and 2014, our profit of total comprehensive income was RMB113.9 million, RMB141.5 million and RMB183.6 million.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue

Our total revenue increased by RMB114.8 million, or 28.6%, from RMB401.1 million in 2013 to RMB515.9 million in 2014, primarily as a result of increased sales volumes across all four therapeutic areas that our products focused on. The selling prices of our key products were relatively steady in these periods and the fluctuation of average selling prices of our products mainly reflected the changes in the product and specification mix.

Orthopedics. Our revenue from sales of orthopedics products increased by RMB37.9 million, or 19.1%, from RMB198.9 million in 2013 to RMB236.8 million in 2014, primarily driven by a 24.7% increase in the sales of our sodium hyaluronate injection products from RMB165.7 million in 2013 to RMB206.6 million in 2014 as a result of the increased sales volume. Pursuant to the Notice on the Category of Medical Sodium Hyaluronate issued by CFDA on December 24, 2009, we ceased to produce sodium hyaluronate injection products categorized as medical devices for the treatment of osteoarthritis since January 1, 2013, which led to a decrease in the sales volume of our sodium hyaluronate gel products for the treatment of osteoarthritis in 2014. Such decrease was offset by a 33.6% increase in the sales volume of our sodium hyaluronate injection products in 2014. Our chitosan injection products also recorded a 383.6% increase from RMB5.5 million in 2013 to RMB26.6 million in 2014 primarily as a result of the increased sales volume.

Anti-adhesion and hemostasis. Our revenue from sales of anti-adhesion and hemostasis products increased by RMB15.4 million, or 11.0%, from RMB139.9 million in 2013 to RMB155.3 million in 2014, primarily driven by increased sales of our chitosan injection and medical sodium hyaluronate gel products from RMB87.9 million and RMB47.3 million in 2013, respectively, to RMB93.8 million and RMB52.2 million in 2014 due to increased sales volume of these products.

Ophthalmology. Our revenue from sales of ophthalmology products increased by RMB14.2 million, or 26.9%, from RMB52.8 million in 2013 to RMB67.0 million in 2014, respectively, primarily driven by a 27.1% increase in the sales of our OVD products from RMB52.7 million in 2013 to RMB67.0 million in 2014 due to the increased sales volume.

Wound care and tissue filling. Our revenue from sales of wound care and tissue filling products increased by RMB47.3 million, or 497.9%, from RMB9.5 million in 2013 to RMB56.8 million in 2014, driven by a 228.4% increase in the sales of our rhEGF products from RMB9.5 million in 2013 to RMB31.2 million in 2014 due to the increased sales volume. In addition, our newly launched Matrifill dermal filling products contributed RMB25.6 million to our total revenue in 2014.

Cost of Sales, Gross Profit and Gross Profit Margin

Our total cost of sales increased by RMB11.1 million, or 20.3%, from RMB54.8 million in 2013 to RMB65.9 million in 2014, which was primarily due to the increased sales volume of our products which led to our increased raw material cost, labor cost and manufacturing cost.

Our total gross profit increased by RMB103.8 million, or 30.0%, from RMB346.3 million in 2013 to RMB450.1 million in 2014. Our overall gross profit margin increased from 86.3% in 2013 to 87.2% in 2014 was primarily driven by the launch of our new dermal filler products with higher gross profit margins in 2014.

Other Income and Gains

Our other income and gains increased by RMB7.1 million, or 30.0%, from RMB23.7 million in 2013 to RMB30.8 million in 2014, primarily as a result of a higher amount of government grants recognized as our other income and gains in 2014. The government grants recognized as other income and gains were RMB17.9 million in 2013, as compared to RMB25.7 million in 2014, which primarily reflected more government grants we recognized in 2014.

Selling and Distribution Expenses

Our selling and distribution expenses increased by RMB43.9 million, or 30.6%, from RMB143.3 million in 2013 to RMB187.2 million in 2014, primarily reflected our increased promotional activities for our products due to the introduction of the new Matrilfill dermal filler, medical chitosan injection and lubricant eye drop products in 2014 as well as increased staff costs.

Administrative Expenses

Our administrative expenses increased by RMB14.8 million, or 43.3%, from RMB34.2 million in 2013 to RMB49.0 million in 2014, primarily as a result of our increased staff costs due to our expanded administration team as well as an increase in an one-off consulting fee in connection with our proposed A-share listing.

Research and Development Expenses

Our research and development expenses increased by RMB3.0 million, or 12.8%, from RMB23.5 million in 2013 to RMB26.5 million in 2014, primarily due to increased research and development staff costs.

Other Expenses

Our other expenses increased by RMB0.2 million, or 8.3%, from RMB2.4 million in 2013 to RMB2.6 million in 2014, primarily due to the increase of provision provided for accounts receivable as a result of the increase in accounts receivable balance due to the longer credit terms granted to our distributors of pharmaceutical products.

Income Tax Expense

Our income tax expense increased by RMB7.1 million, or 28.5%, from RMB24.9 million in 2013 to RMB32.0 million in 2014, primarily as a result of our increased profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased by RMB42.1 million, or 29.8%, from RMB141.5 million in 2013 to RMB183.6 million in 2014.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue

Our total revenue increased by RMB98.0 million, or 32.3%, from RMB303.1 million in 2012 to RMB401.1 million in 2013, primarily as a result of increased sales volumes across all four therapeutic areas that our products focused on. The prices of our key products were relatively steady in these periods except for those of our sodium hyaluronate injection products, which are discussed below. In addition, the fluctuation of average selling prices of our products mainly reflected the changes in the product and specification mix.

Orthopedics. Our revenue from sales of orthopedics products increased by RMB75.7 million, or 61.4%, from RMB123.2 million in 2012 to RMB198.9 million in 2013, primarily driven by a 82.1% increase in the sales of our sodium hyaluronate injection products from RMB91.0 million in 2012 to RMB165.7 million in 2013, as we further enhanced our marketing activities for such products as well as increases in selling prices of such products in connection of the implementation of our pricing strategy for these products since the second half of 2012. As we gradually built up our internal sales force for our orthopedics products, we expect the average selling prices of these products to increase which would improve our gross profit margin.

Anti-adhesion and hemostasis. Our revenue from sales of anti-adhesion and hemostasis products increased by RMB18.1 million, or 14.9%, from RMB121.8 million in 2012 to RMB139.9 million in 2013 primarily driven by a 24.0% increase in the sales of our medical chitosan products from RMB70.9 million in 2012 to RMB87.9 million in 2013 primarily as a result of the increased sales volume.

Ophthalmology. Our revenue from sales of ophthalmology products increased by RMB2.1 million, or 4.1%, from RMB50.7 million in 2012 to RMB52.8 million in 2013, primarily driven a 4.6% increase in the sales of our OVD products from RMB50.4 million in 2012 to RMB52.7 million in 2013 primarily as a result of the increased sales volume.

Wound care and tissue filling. Our revenue from sales of wound care and tissue filling products increased by RMB2.2 million, or 30.1%, from RMB7.3 million in 2012 to RMB9.5 million in 2013, driven by a 30.1% increase in the sales of our rhEGF products from RMB7.3 million in 2012 to RMB9.5 million in 2013 primarily as a result of the increased sales volume.

Cost of Sales, Gross Profit and Gross Profit Margin

Our total cost of sales increased by RMB4.5 million, or 8.9%, from RMB50.3 million in 2012 to RMB54.8 million in 2013, which was primarily due to the increased sales volume of our products which led to our increased raw material cost, labor cost and manufacturing cost.

Our total gross profit increased by RMB93.5 million, or 37.0%, from RMB252.8 million in 2012 to RMB346.3 million in 2013. Our overall gross profit margin increased from 83.4% in 2012 to 86.3% in 2013 primarily driven by the increase in selling prices of our sodium hyaluronate injection products in connection with the implementation of our pricing strategy for these products since the second half of 2012.

Other Income and Gains

Our other income and gains increased by RMB12.9 million, or 119.4%, from RMB10.8 million in 2012 to RMB23.7 million in 2013, primarily as a result of a higher amount of government grants recognized as our other income and gains in 2013. The government grants recognized as other income and gains were RMB17.9 million in 2013, as compared to RMB6.8 million in 2012, which primarily reflected more government grants we recognized in 2013.

Selling and Distribution Expenses

Our selling and distribution expenses increased by RMB70.8 million, or 97.7%, from RMB72.5 million in 2012 to RMB143.3 million in 2013, primarily as a result of the implementation of a new marketing strategy for our sodium hyaluronate injection products and the increased promotional activities relating to our new Matrifill dermal filler and chitosan products.

Administrative Expenses

Our administrative expenses decreased by RMB2.1 million, or 5.8%, from RMB36.3 million in 2012 to RMB34.2 million in 2013, primarily as a result of an one-off consulting fees in connection with our proposed A-share listing in 2012, partially offset by an increase in our staff costs.

Research and Development Expenses

Our research and development expenses increased by RMB5.9 million, or 33.5%, from RMB17.6 million in 2012 to RMB23.5 million in 2013, primarily due to increased research and development staff costs.

Other Expenses

Our other expenses decreased by RMB1.4 million, or 36.8%, from RMB3.8 million in 2012 to RMB2.4 million in 2013, primarily due to an one-off impairment loss of RMB3.2 million in connection with our leasehold improvements recorded in 2012.

Income Tax Expense

Our income tax expense increased by RMB5.4 million, or 27.7%, from RMB19.5 million in 2012 to RMB24.9 million in 2013, primarily as a result of our increased profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased by RMB27.6 million, or 24.2%, from RMB113.9 million in 2012 to RMB141.5 million in 2013.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary uses of cash are to fund working capital and other recurring expenses. During the Track Record Period, we funded our cash requirements principally from cash generated from operations.

Cash Flow

The following table is a condensed summary of our consolidated cash flow statements and analysis of balances of cash and cash equivalents for the periods indicated:

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Net cash flows generated from operating activities	118,420	146,906	141,993
Net cash flows used in investing activities	(84,293)	(111,249)	(88,151)
Net cash flows used in financing activities	—	—	(70,320)
Cash and cash equivalents at beginning of year	106,687	140,814	176,477
Net increase/(decrease) in cash and cash equivalents	34,127	35,657	(16,478)
Effect of foreign exchange rate changes, net	—	6	—
Cash and cash equivalents at end of year	140,814	176,477	159,999

Cash Flows from Operating Activities

During the Track Record Period, we derived our cash inflows from operating activities primarily from the receipt of payments from our distributors for the sale of our medical device and pharmaceutical products. Our primary cash outflows from operating activities primarily relate to purchases of raw materials, salaries and compensation of our employees, tax payments and miscellaneous administrative expenses. Our cash flows from operating activities can be significantly affected by factors such as the timing of receipt of trade receivables from our distributors and our payments of trade payables to suppliers during the regular course of business.

In 2014, our net cash generated from operating activities was RMB142.0 million, which primarily consisted of cash inflow from sales of our products of RMB560.3 million, partially offset by our marketing and administrative expenses paid in cash of RMB205.4 million, our purchase of raw materials of RMB87.7 million, payment of income tax and other taxes of RMB90.7 million and payment related to staff costs of RMB59.1 million.

In 2013, our net cash generated from operating activities was RMB146.9 million, which primarily consisted of cash inflow from sales of our products of RMB447.9 million and cash inflow from other operating-related activities of RMB26.0 million, partially offset by our marketing and administrative expenses paid in cash of RMB158.3 million, our purchase of raw materials of RMB54.9 million, payment of income tax and other taxes of RMB67.6 million and payment related to staff costs of RMB41.2 million.

In 2012, our net cash generated from operating activities was RMB118.4 million, which primarily consisted of cash inflow from sales of our products of RMB331.8 million and cash inflow from other operating-related activities of RMB12.7 million, partially offset by our marketing and administrative expenses paid in cash of RMB88.7 million, our purchase of raw materials RMB41.8 million, payment of income tax and other taxes of RMB58.2 million and payment related to staff costs of RMB33.6 million.

Cash Flows used in Investing Activities

During the Track Record Period, our cash flow used in investing activities primarily related to our purchase of items of property, plant and equipment.

In 2014, our net cash used in investing activities was RMB88.2 million, which primarily reflected our construction costs for our new production facilities and the purchase and installation costs for our new equipment of RMB93.5 million, being partially offset by our receipt of interest of RMB3.7 million and government grants of RMB2.1 million in connection with our research and development projects.

In 2013, our net cash used in investing activities was RMB111.2 million, which primarily reflected our purchase of items of property, plant and equipment of RMB124.4 million for the renovation and upgrade of our existing production facilities and building our new production facilities, partially offset by our receipt of government grants of RMB10.0 million in connection with our research and development projects.

In 2012, our net cash used in investing activities was RMB84.3 million, which primarily reflected our purchase of new equipment of RMB64.6 million and a parcel of land for the construction of our new production facilities of RMB19.3 million, partially offset by our receipt of government grants of RMB2.8 million in connection with our research and development projects.

Cash Flows from Financing Activities

We declared dividends amounting to RMB120.0 million on October 16, 2014, among which RMB70.3 million was paid out in 2014 while the remaining portion was fully settled in February 2015. We did not have any other financing activities during the Track Record Period.

In 2014, our cash outflow in financing activities was the payment of cash dividend amounting to RMB70.3 million.

NET CURRENT ASSETS

The following table sets forth our current assets and current liabilities as of the balance sheet dates indicated:

	As at December 31,			As at February 28,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Inventories	40,864	42,604	76,364	84,807
Trade and bills receivables	29,480	43,820	62,443	63,241
Tax recoverable [(1)]	—	—	2,752	2,752
Prepayments, deposits and other receivables	12,290	12,239	18,609	30,302
Pledged deposits	1,839	1,648	5,846	3,758
Cash and bank balances	160,814	197,137	181,341	93,657
Total current assets	245,287	297,448	347,355	278,517
Current liabilities				
Trade and bills payables	6,292	6,904	8,790	7,303
Other payables and accruals	44,559	62,512	125,483	63,727
Tax payable	3,851	6,712	4,966	3,017
Total current liabilities	54,702	76,128	139,239	74,047
Net current assets	190,585	221,320	208,116	204,470

(1) The tax recoverable of RMB2.8 million as of December 31, 2014 reflected our tax prepayment at a higher statutory tax rate of 25% for year 2014 before we obtained our renewed High and New Technology Enterprise certificates in January 2015. We are entitled to preferential tax rate for High and New Technology Enterprise of 15% for full year 2014. As at February 28, 2015, the balance remained since the 2014 annual tax filing will be finalized by the end of May 2015.

As of December 31, 2014, our net current assets decreased from RMB221.3 million as of December 31, 2013 to RMB208.1 million as of December 31, 2014, primarily due to the dividends of RMB120.0 million declared to our Shareholders in October 2014.

We had net current assets of RMB221.3 million as of December 31, 2013, compared to net current assets of RMB190.6 million as of December 31, 2012. The increase in our net current assets was primarily due to increased trade and bills receivables, as offset by increased trade and bills payables and other payables and accruals.

As of February 28, 2015, the latest practicable date for the purpose of our net current asset position, our net current assets decreased slightly from RMB208.1 million as of December 31, 2014 to RMB204.5 million as of February 28, 2015.

As of February 28, 2015, our cash and bank balances decreased to RMB93.7 million from RMB181.3 million as of December 31, 2014, which primarily reflected our payment of cash dividend and relevant withholding tax, payments for our property, plant and equipment investments and bonuses paid to our employees.

Inventories

Our inventories consist of raw materials we purchase from suppliers, our work in progress and our finished goods.

The following table sets forth our inventories as of the balance sheet dates indicated and the average inventory turnover days for the periods indicated:

	As of December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Raw materials	9,880	20,714	28,529
Work in progress	5,076	10,723	9,771
Finished goods	25,908	11,167	38,064
	40,864	42,604	76,364

	Year ended December 31,		
	2012	2013	2014
Average inventory turnover days[(1)]	308	278	330

(1) Calculated using the average of the beginning and ending inventory balances of the period, divided by cost of sales for the period and multiplied by 365 days for a year.

Each year, we adopt a raw material purchase plan that includes projected purchase volumes for each month. We regularly review each product's sales performance, production progress, inventory level and projected sales, and adjust our purchase plans accordingly. We have also established an inventory management system that monitors each stage of the warehousing process. Please refer to "Business — Production — Inventory Management" for further details of our inventory management.

Our inventory balance increased from RMB40.9 million as of December 31, 2012 to RMB42.6 million as of December 31, 2013 and to RMB76.4 million as of December 31, 2014 primarily reflecting the increased production capacity and output of our production facilities at Shanghai Qisheng after its renovation in 2013. In particular, the balance of our finished goods decreased from RMB25.9 million as of December 31, 2012 to RMB11.2 million as of December 31, 2013 primarily as a result of the renovation of production facilities at Shanghai Qisheng in the first nine months of 2013, and increased to RMB38.1 million as of December 31, 2014 primarily because Shanghai Qisheng resumed its operations in 2014 with greater production capacity.

For 2012, 2013 and 2014, our inventory turnover days were 308 days, 278 days, and 330 days. The decrease in our inventory turnover days from 2012 to 2013 primarily reflected the renovation and upgrade of Shanghai Qisheng, which led to a decrease in our average inventory level. The increase in our inventory turnover days from 2013 to 2014 primarily reflected Shanghai Qisheng's resumption of operations, which led to our inventory back to normal level.

The following table sets forth the aging analysis of our inventories as of the balance sheet dates indicated:

	As of December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Within 1 year	39,160	40,485	75,346
1 to 2 year	1,603	2,032	835
Over 2 years	101	87	183
	40,864	42,604	76,364

Trade and Bills Receivables

The following table sets forth the total amounts of our trade and bills receivables as of the balance sheet dates indicated and the average trade receivables turnover days for the periods indicated:

	As of December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Bills receivable	2,100	3,700	811
Trade receivables	28,840	42,240	64,908
Impairment for trade receivables	(1,460)	(2,120)	(3,276)
	29,480	43,820	62,443

	Year ended December 31,		
	2012	2013	2014
Average trade receivables turnover days[(1)]	31	32	38

(1) Calculated using the average of the beginning and ending trade receivables balances of the period, divided by revenue for the period and multiplied by 365 days for a year.

Our trade receivables balances as of December 31, 2012 and 2013 and 2014 were RMB28.8 million, RMB42.2 million and RMB64.9 million. The increases primarily reflected increases in our overall sales during the respective period, in particular the increased sales to our distributors of pharmaceutical products who generally enjoy longer credit terms.

For 2012, 2013 and 2014, our trade receivables turnover days were 31 days, 32 days and 38 days. The increase in turnover days in 2014 was primarily due to the fact that we granted longer credit terms to distributors of our pharmaceutical products, which increased the balance of trade receivables. We seek to maintain strict control over outstanding receivables and ensure overdue balances are regularly reviewed.

The following table sets forth the aging analysis of our trade and bills receivables as of the balance sheet dates indicated:

	As of December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Within 3 months	24,619	35,867	52,132
3 to 6 months	4,744	7,705	11,056
6 months to 1 year	1,461	2,315	2,340
1 to 2 year	116	53	184
2 to 3 years	—	—	7
	30,940	45,940	65,719

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
At 1 January	1,136	1,460	2,120
Impairment losses recognized	324	697	1,156
Impairment losses reversed	—	(37)	—
	1,460	2,120	3,276

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of RMB23,000, RMB11,000 and RMB40,000 as of December 31, 2012, December 31, 2013 and December 31, 2014 with carrying amounts before provisions of RMB116,000, RMB53,000 and RMB191,000 as at December 31, 2012, December 31, 2013 and December 31, 2014, respectively, based on aged analysis. The others are for collectively impaired trade receivables at the end of each year during the Track Record Period.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default on principal payments and of which we do not expect to fully recover.

As of December 31, 2012, 2013 and 2014, both our Group and our Company did not have any trade receivables which were not considered to be impaired, either individually or collectively.

Our bills receivables are generally due within six months.

Trade and Bills Payables

Our trade payables primarily consist of the balances due to our suppliers of raw materials. Our trading terms with suppliers vary depending on a number of factors, in particular the type of raw materials or products procured by us. Our bills payables primarily represent the balances due to our supplier in bank notes in lieu of cash payments.

The following table sets forth the total amounts of our trade and bills payables as of the balance sheet dates indicated and the average trade payables turnover days for the periods indicated:

	As of December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Trade payables	4,453	5,256	2,944
Bills payable	1,839	1,648	5,846
	6,292	6,904	8,790

	Year ended December 31,		
	2012	2013	2014
Average trade payables turnover days[(1)]	27	32	23

(1) Calculated using the average of the beginning and ending trade payables balances of the period, divided by cost of sales for the period and multiplied by 365 days for a year.

For 2012, 2013 and 2014, our trade payables turnover days were 27 days, 32 days and 23 days. The increase/decrease primarily reflected the increase/decrease in balances of trade payables in respective periods.

The following table sets forth the aging analysis of our trade and bills payables as of the balance sheet dates indicated, based on the invoice date:

	As of December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Within 3 months	6,098	4,973	8,671
3 months to 1 year	146	1,882	72
Over 1 years	48	49	47
	6,292	6,904	8,790

Our trade payables were non-interest bearing and normally settled on 30 to 90 day terms.

As of December 31, 2012 and 2013 and 2014, our bills payables of RMB1.8 million, RMB1.6 million and RMB5.8 million were secured by the pledged deposits for bank endorsed bills payables with the same amounts. Our bills payables are generally due in three months.

WORKING CAPITAL

From time to time, we need to purchase raw materials and equipment necessary for our operations. Taking into account cash from operating activities and the net proceeds from the Global Offering, our Directors are of the opinion that we will have sufficient funds to meet our working capital requirements and financial requirements for capital expenditure for at least the next 12 months from the date of this prospectus.

As we continue to expand the scale of our operations, our cash outflow for operating activities is expected to be primarily driven by the increase in the cost of sales. We expect to fund such cash outflow requirements with our existing cash and cash equivalents and cash generated from our operations. In addition, we plan to use part of the proceeds from the Global Offering to finance our various working capital and capital expenditure needs. We will also continue to rely on cash flow generated from our operating activities. We may also secure various financing tools, such as banking facilities, to fund our working capital needs in the future. We currently do not have any plans for material external debt financing. As at the Latest Practicable Date, our Directors confirmed that they were not aware of factors that may cause substantial changes in the mix and relative cost of capital resources.

We carefully consider our position and ability to obtain further financing when making significant capital commitments and arranging payment for operating activities. Given suitable conditions, we intend to raise additional funds through debt or equity financing.

INDEBTEDNESS

As of February 28, 2015, we did not have any outstanding bank loans, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material covenants or contingent liabilities. We currently do not plan to enter into any borrowing arrangement. However, we may seek borrowings in the future in connection with future acquisition activities.

CONTINGENT LIABILITIES

We set forth our contingent liabilities not provided for in our financial statements at the dates indicated as follows:

	As of December 31,			As of February 28,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Contingent liabilities due to pending litigation	4,320	—	—	—

Please refer to "Business — Legal and Compliance — Legal Proceedings" for further details.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2014, we did not have any off-balance sheet arrangements.

CAPITAL EXPENDITURES

Our capital expenditures primarily consisted of purchase of new equipment and renovation and upgrade of our production facilities. For 2012 and 2013 and 2014, our capital expenditures were RMB84.4 million, RMB132.0 million and RMB102.4 million. We have historically funded our capital expenditures through cash generated from our operations.

We expect to incur capital expenditures of approximately RMB270.0 million in 2015 and 2016. Our expected capital expenditures in 2015 and 2016 are primarily for the expansion of Haohai Biological and Shanghai Likangrui production facilities, as well as the investment on new land for Shanghai Qisheng facility. Please refer to "Business—Production—Future Expansion and Upgrade Plan" and "Future Plans and Use of Proceeds" for further details of our current expansion and upgrade plan. We expect to finance our capital expenditures through a combination of operating cash flows and the net proceeds from the Global Offering. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CONTRACTUAL OBLIGATIONS

Operating Lease Arrangements

We lease certain of our property, plant and equipment under operating lease arrangements. Leases for property, plant and equipment are negotiated for terms of one to five years.

At the end of each period indicated as follows, we had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at December 31,			As of February 28,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	1,092	2,291	1,878	2,113
In the second to fifth years, inclusive	5,480	4,684	4,313	4,022
	6,572	6,975	6,191	6,135

Commitments

In addition to the operating lease commitments above, we had the following capital commitments at the dates indicated as follows:

	As at December 31,			As of February 28,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for in respect of acquisition of:				
plant and machinery	55,277	55,492	45,272	35,027

CERTAIN FINANCIAL RATIOS

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

	As of/for the year ended December 31,		
	2012	2013	2014
	%	%	%
Gross profit margin	83.4	86.3	87.2
Net profit margin	37.6	35.3	35.6
Return on equity	29.3	26.7	30.9
Return on total assets	25.4	22.8	24.4

Gross Profit Margin

For 2012, 2013 and 2014, our gross profit margin was 83.4%, 86.3% and 87.2%, respectively. The increases of our gross profit margin for 2012 and 2013 were primarily driven by the increase in selling prices of our sodium hyaluronate injection products in connection of the implementation of our pricing strategy for these products since the second half of 2012. The increase of our gross profit margin in 2014 was primarily driven by the launch of our new derma filler products.

Net Profit Margin

For 2012, 2013 and 2014, our net profit margin was 37.6%, 35.3% and 35.6%, respectively. Our net profit margins remained stable during the Track Record Period.

Return on Equity

For 2012, 2013 and 2014, our return on equity was 29.3%, 26.7% and 30.9%, respectively. The variations in our return on equity are primarily derived from changes in our profit levels for the corresponding period. The primary driver of changes to our total equity over the Track Record Period have been retained earnings. Our return on equity remained stable during the Track Record Period.

Return on Total Assets

For 2012, 2013 and 2014, our return on total assets was 25.4%, 22.8% and 24.4%, respectively. The primary driver of our total assets growth over the Track Record Period has been capital expenditure on our production facilities. Our return on total assets remained stable during the Track Record Period.

Market Risk

We are exposed to various types of financial and market risks, including credit risk and liquidity risk. Our Board reviews and approves policies for managing each of these risks.

Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, our receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

The credit risk of our financial assets, which comprise cash and bank balances, pledged deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

We manage concentrations of credit risk by customer or counterparty. Our receivables related to a large number of diversified customers or counterparties, there is no significant concentration of credit risk.

Please refer to Note 36 "Financial Risk Management Objectives and Policies—Credit Risk"; Note 20 "Trade and Notes Receivables" and Note 21 "Prepayments, Deposits and Other Receivables" to the Accountants' Report included in Appendix I to this prospectus for further details of the credit risk we face, including quantitative disclosure of our credit risk.

Liquidity Risk

We monitor risks of funding shortage by monitoring our current ratio, which is calculated by comparing the current assets with the current liabilities.

Please refer to Note 36 "Financial Risk Management Objectives and Policies—Liquidity Risk" to the Accountants' Report included in Appendix I to this prospectus for further details of the liquidity risk we face, including quantitative disclosure of our liquidity risk.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following table of our unaudited pro forma adjusted consolidated net tangible assets was prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on our net tangible assets as of December 31, 2014 as if it had taken place on that date. The table of unaudited pro forma adjusted consolidated net tangible assets of our Group have been prepared for illustrative purpose only and, because of their hypothetical nature, they may not give a true picture of our net tangible assets had the Global Offering been completed as of December 31, 2014 or at any future date.

The unaudited pro forma adjusted consolidated net tangible assets set out below are calculated based on our audited consolidated net assets attributable to owners of our Company as of December 31, 2014, as shown in the Accountants' Report, the text of which is included in Appendix I to this prospectus, and is adjusted as described below:

	Consolidated net tangible assets of our Group attributable to the owners of our Company as of December 31, 2014[1]	Estimated net proceeds from the Global Offering[2]	Pro forma net tangible assets of our Group attributable to the owners of our Company as of December 31, 2014[3]	Pro forma net tangible assets of our Group attributable to the owners of our Company per Share as of December 31, 2014[3][4][5]	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$48.50 per Offer Share	590,110	1,446,417	2,036,527	12.73	16.12
Based on an Offer Price of HK$59.00 per Offer Share	590,110	1,778,007	2,368,117	14.80	18.75

(1) The consolidated net tangible assets of our Group attributable to owners of our Company as of December 31, 2014, was determined as follow:

	RMB'000
Audited consolidated net assets of our Group as set out in Appendix I	594,160
Less: Other intangible assets as set out in Appendix I	4,050
Consolidated net tangible assets attributable to owners of our Company	590,110

(2) The estimated net proceeds from the Global Offering are based on 40,000,000 Offer Shares of an indicative Offer Prices of HK$48.50 (equivalent to RMB38.29) and HK$59.00 (equivalent to RMB46.58) per Offer Share, respectively (after deducting the underwriting fees and other related expenses), and takes no account of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates. For the purpose of the estimated net proceeds from the Global Offering, the amount stated in Hong Kong dollars has been converted into Renminbi at the rate of RMB0.7895 to HK$1. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(3) No adjustment has been made to the pro forma adjusted net tangible assets of our Group attributable to owners of our Company as of December 31, 2014 to reflect any trading result or other transaction of our Group entered into subsequent to December 31, 2014, including our cash injection of RMB6,000,000 to Shanghai Baiyue Medical Equipment Company Limited on February 5, 2015.

(4) The pro forma adjusted net tangible assets of our Group attributable to owners of our Company as of December 31, 2014 per Share is arrived at after the adjustments referred to in note 2 in the preceding paragraph and on the basis that 40,000,000 Shares were in issue assuming the Capitalization Issue and the Global Offering had been completed on December 31, 2014. It takes no account of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates.

(5) For the purpose of this pro forma adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at the rate of RMB0.7895 to HK$1. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

DIVIDEND POLICY

After completion of the Global Offering, our Shareholders will be entitled to receive dividends we declare. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, our development pipeline, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and applicable PRC Law. While our Directors have the discretion to declare and pay any interim dividends, any declaration of final dividends would require the approval of our Shareholders in a general meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Our ability to declare and pay dividends will depend on the availability of dividends received from our operating subsidiaries. On October 16, 2014, as approved by our shareholders meeting, we declared dividends to our shareholders in the amount of RMB120.0 million, which was fully settled by the end of February 2015 with the cash held by the Company. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require enterprises to set aside part of their net profit as statutory reserves, and such statutory reserves are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

MATERIAL RELATED PARTY TRANSACTIONS

Details of our transactions with related parties during the Track Record Period are set out in Note 33 to the Accountants' Report included in Appendix I to this prospectus. As of December 31, 2014, we did not have any outstanding related party transaction.

Our Directors confirm that any material related party transactions during the Track Record Period were conducted on an arm's length basis, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

DISTRIBUTABLE RESERVES

As of December 31, 2014, we had distributable reserves of RMB417.8 million available for distribution to our Shareholders.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

LISTING EXPENSES

Assuming an Offer Price of HK$53.75 per Share (being the mid-point of the indicative offer price range stated in this prospectus), the aggregate commissions and fees, together with the Stock Exchange listing fee, SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, which are payable by us are estimated to amount in aggregate to be approximately RMB85.2 million. We expect to charge approximately RMB4.3 million of the estimated listing expenses to our consolidated statements of profit or loss and to capitalize approximately RMB80.9 million following the Listing.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2014, being the date of our consolidated financial statements as set out in the Accountants' Report included in Appendix I to this prospectus.

FUTURE PLANS AND PROSPECTS

Our objective is to further strengthen our leading position in the absorbable biomedical materials market in China and become a leading biomedical materials company globally. We intend to achieve our objective by implementing the following strategies:

- Accelerate the growth of our business, expand our product portfolio and establish internationally recognized brand through acquisitions and effective integration.
- Deepen our market penetration and expand our coverage of hospitals and other medical institutions through efficient sales and marketing efforts.
- Expand our portfolio with competitively positioned, innovative products in key therapeutic areas through market-driven product development programs.
- Increase our production capabilities through the steady growth of our production capacity and continuous upgrades of our production facilities.

Please refer to "Business — Our Strategies" for further details of the future plans set out in our strategies.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately RMB2,042.1 million (after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering), assuming the Over-allotment Option is not exercised and an Offer Price of HK$53.75 per Share, being the mid-point of the offer price range stated in this prospectus. We intend to use these net proceeds for the following purposes:

- approximately 25% of the net proceeds, or approximately HK$510.5 million, to construct new production lines at Shanghai Likangrui, including the new production facilities for animal origin fibrin sealant products and biomedical materials to meet the continually increasing demand for our products. Please refer to "Business — Our Production Facilities — Future Expansion and Upgrade Plan" for further details of our expansion and upgrade plan;
- approximately 25% of the net proceeds, or approximately HK$510.5 million, to selectively acquire suitable biopharmaceutical or biomedical materials companies or assets with a focus on products that have high growth potentials within our target therapeutical areas and products complementary to our existing product portfolio. We have not identified any acquisition targets to be acquired as of the Latest Practicable Date;
- approximately 18% of the net proceeds, or approximately HK$367.6 million, to purchase new production equipment, as well as to renovate and upgrade our Haohai Biological facility;
- approximately 13% of the net proceeds, or approximately HK$265.5 million, to fund research and development activities and clinical applications for our pipeline products, including the thermal-sensitive chitosan products and new generation of cross-linked sodium hyaluronate products;
- approximately 9% of the net proceeds, or approximately HK$183.8 million, to expand our sales and marketing network by hiring additional marketing and sales personnel, commercialize those pipeline products we have successfully developed, and increase the level of our marketing and promotional activities; and
- approximately 10% of the net proceeds, or approximately HK$204.2 million, to be used for working capital and general corporate purposes.

To the extent that our actual net proceeds from the Global Offering differ from our estimate above, we intend to apply the actual net proceeds in the same proportions set out above.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK$59.00 per Share, the net proceeds we receive from the Global Offering will increase by approximately HK$210 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price set at the low-end of the indicative Offer Price range, being HK$48.50 per Offer Share, the net proceeds we received from the Global Offering will decrease by approximately HK$210 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds of the Global Offering will increase to approximately HK$2,364.6 million, assuming the Offer Price is set at the mid-point of the indicative Offer Price range. If the Offer Price is set at the high end of the indicative Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase by approximately HK$241.5 million. If the Offer Price is set at the low end of the indicative Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will decrease by approximately HK$241.5 million. We intend to apply the net proceeds from the exercise of the Over-allotment Option to the above purposes on a pro-rata basis.

To the extent of the net proceeds from the Global Offering are not immediately applied for the above purposes, it is the present intention of our Directors that such net proceeds will be placed in short term deposit account with financial institutions in Hong Kong.

We will issue an announcement in Hong Kong if there is any material change in the above proposed use of proceeds.

HONG KONG UNDERWRITERS

UBS AG Hong Kong Branch
CMB International Capital Limited
CCB International Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Under the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price, on the terms and subject to the conditions of this prospectus and the Application Forms. Subject to the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued as mentioned in this prospectus and to certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Sole Global Coordinator (on behalf of the Underwriters) and the Company agreeing on the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to procure subscribers for, or themselves to subscribe for, their respective proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Purchase Agreement having been signed and becoming unconditional.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall be entitled by notice (orally or in writing) to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

  (i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan or any other jurisdiction relevant to any member of the Group (the "**Relevant Jurisdictions**"); or

  (ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of the Company or of any other member of the Group listed or quoted on a stock exchange or an over-the-counter market; or

(v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the European Union (or any member thereof), Japan or any other jurisdiction relevant to any member of the Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or

(vi) any new national, central, federal, provincial, state, regional, municipal, local, domestic or foreign laws (including, without limitation, any common law or case law), statutes, ordinances, legal codes, regulations or rules (including, without limitation, any and all regulations, rules, orders, judgments, decrees, rulings, opinions, guidelines, measures, notices or circulars (in each case, whether formally published or not and to the extent mandatory or, if not complied with, the basis for legal, administrative, regulatory or judicial consequences) of any authority) (the "**Law**"), or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent Authority of) existing Laws, in each case, in or affecting the Relevant Jurisdictions; or

(vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union (or any member thereof) on the PRC or any other jurisdiction relevant to any member of the Group; or

(viii) a change or development involving a prospective change in or affecting Taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in or affecting any of the Relevant Jurisdictions; or

(ix) any litigation or claim of any third party being threatened or instigated against any member of the Group; or

(x) 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

(xi) the chairman or chief executive officer of the Company vacating his or her office; or

(xii) an authority or a political body or organization in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xiii) a contravention by any member of the Group of the Company Law, the Special Regulations, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or other applicable Laws; or

(xiv) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or

(xv) non-compliance of this prospectus (or any other documents used in connection with the Global Offering) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or

(xvi) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the Global Offering) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator,

(1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or

(2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or

(3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or

(4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Global Coordinator:

(i) that any statement contained in any of this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) (collectively, the "**Offer Documents**") was, when it was issued, or has become, untrue, incorrect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Documents is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from any of the Offer Documents; or

(iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Purchase Agreement (other than upon any of the Hong Kong Underwriters or the International Purchasers); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement; or

(v) any material adverse change, or any development involving a prospective material adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company and our subsidiaries, as a whole; or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings of our Company as set out in the Hong Kong Underwriting Agreement; or

(vii) approval by the Listing Committee of the listing of, and permission to deal in, the H Shares to be issued (including any additional H Shares that may be issued pursuant to the exercise of the Over-Allotment Option) 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) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings

Undertakings to the Stock Exchange under the Listing Rules

(A) Undertaking by us

Under Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except under the Global Offering (including the exercise of the Over-allotment Option) or for the circumstances provided under Rule 10.08(1) to Rule 10.08(4) of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

In accordance with 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 and the Over-allotment Option, (a) it will not, at any time during the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and (b) it will not, at any time during the period of six months from the date on which the period referred to in paragraph (a)

above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our Shares 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 will then cease to be our Controlling Shareholder.

Note (2) to Rule 10.07 of the Listing Rules provides that the rule does not prevent a Controlling Shareholder from using the shares owned by it as securities (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Pursuant to Note (3) of Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange that it will, within a period of 12 months from the Listing Date, immediately inform us of:

(a) any pledge or charge of any Shares or securities of our Company beneficially owned by it in favor of any authorized institution as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and

(b) any indication received by it, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or other share capital will be disposed of.

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 by way of a public announcement in accordance with the Listing Rules and, if applicable, the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO after being so informed by any of our Controlling Shareholders.

Undertakings under the Hong Kong Underwriting Agreement

(A) Undertaking by us

Except for the offer of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), our Company has undertaken to each of the Sole Global Coordinator, the Hong Kong Underwriters and the Sole Sponsor not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules (and only after the consent of any relevant authority (if so required) has been obtained):

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind (the "**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares

or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts;

(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 Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing); or

(c) enter into any transactions with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period). In the event that, during the period of six months commencing on the date on which the First Six-month Period expires, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

(B) Undertaking by the Controlling Shareholders

Each of the Controlling Shareholders has undertaken to the Sole Sponsor, the Sole Global Coordinator, and the Hong Kong Underwriters that without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters), unless in compliance with the requirements of the Listing Rules (and only after the consent of any relevant PRC authority (if so required) has been obtained), (a) he/she will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of us or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of us with a depositary in connection with the issue of depositary receipts, or (ii) 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 Shares or other securities of or any interest in us (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of us or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the Six-Month Period); (b) he/she will not during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**") enter into any of the transactions specified in (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement or any option, right, interest or encumbrance pursuant to such transaction, he/she will cease to be a "controlling shareholder" of the Company; and (c) after the expiry of the Six-Month Period, in the event that he/she enters into any of the transactions specified in (i) above or offer to or agrees to or announce any intention to effect any such transaction, he/she will take all reasonable steps to ensure that he/she will not create a disorderly or false market in our securities.

Each of the Controlling Shareholder's undertakings above does not prevent him/her from using the Shares owned by his/her as securities (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Each of the Controlling Shareholders has further undertaken to the Sole Sponsor, the Sole Global Coordinator, and the Hong Kong Underwriters that he/she will, within a period of 12 months from the Listing Date, immediately inform us of:

(a) any pledge or charge of any Shares or securities of our Company beneficially owned by him/her in favor of any authorized institution as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and

(b) any indication received by it, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares will be disposed of.

We have agreed and undertaken to each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters, that, upon receiving such information in writing from the Controlling Shareholders, we will, as soon as possible, notify the Stock Exchange and disclose such information by way of a public announcement in accordance with the Listing Rules and, if applicable, the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO after being so informed by the Controlling Shareholders.

Indemnity

We and the Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

International Placing

International Purchase Agreement

In connection with the International Placing, we, among others, expect to enter into the International Purchase Agreement with the International Purchasers. Under the International

Purchase Agreement, the International Purchasers, subject to certain conditions, will agree severally but not jointly to procure purchasers for, or themselves purchase, their respective proportions of the International Placing Shares being offered under the International Placing.

Under the International Purchase Agreement, we expect to grant to the International Purchasers the Over-allotment Option, exercisable by the Sole Global Coordinator (on behalf of the International Purchasers) at any time, and from time to time, on or before the date which is the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer, to require us to allot and issue up to an aggregate of 6,000,000 additional H Shares, representing in aggregate not more than 15% of the number of Offer Shares initially available under the Global Offering. These additional H Shares will be issued at the Offer Price and will be for the purpose of, among others, covering over-allocations in the International Placing, if any.

It is expected that the International Purchase Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that if the International Purchase Agreement is not entered into, the Global Offering will not proceed.

We will agree to indemnify the International Purchasers against certain liabilities, including liabilities under the U.S. Securities Act.

Commissions and expenses

The Hong Kong Underwriter will receive a gross commission of 2.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer. Assuming an Offer Price of HK$53.75, which is the midpoint of the indicative Offer Price range, it is estimated that the Hong Kong Underwriters will receive a gross underwriting commission of approximately HK$5.4 million. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Purchasers and not the Hong Kong Underwriters. Our Company may also in its sole discretion pay the Sole Global Coordinator an additional incentive fee of up to 0.55% of the aggregate proceeds from the offer of H Shares offered by us under the Global Offering.

The aggregate underwriting commissions payable to the Underwriters (inclusive of any discretionary incentive fees), together with listing fees, the SFC transaction levy and the Stock Exchange trading fee in respect of the Offer Shares offered by us, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated amount to approximately HK$107.9 million (assuming an Offer Price of HK$53.75, which is the midpoint of the indicative Offer Price range and that the Over-allotment Option is not exercised) in total and are payable by us.

Underwriters' interests in our Group

Except for its obligations under the Underwriting Agreements and save as disclosed in this prospectus, none of the Underwriters has any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

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.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters of the Global Offering (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 accounts and for the account of others. In relation to our H Shares, other activities could include acting as agent for buyers and sellers of our H Shares, entering into transactions with other buyers and sellers in a principal capacity, proprietary trading in our H Shares, and entering into over-the-counter or listing derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying, assets including our H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our H 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 H Shares, in baskets of securities or indices including our H Shares, in units of funds that may purchase our H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our H Shares as their underlying, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of other securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and these will also result in hedging activity in our H Shares in most cases.

All these activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering — Stabilization" in this prospectus. These activities may affect the market price or value of our H Shares, the liquidity or trading volume in our H Shares, and the volatility of our H Share price, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offer of 4,000,000 H Shares (subject to adjustment as mentioned below) in Hong Kong as described below under "Hong Kong Public Offer"; and
- the International Placing of 36,000,000 H Shares (subject to adjustment and the Over-allotment Option as mentioned below), (i) outside the United States (including with professional, institutional, corporate and other investors whom we anticipate may have a reasonable demand for the H Shares in Hong Kong) in offshore transactions in reliance on Regulation S and (ii) in the United States only to QIBs in reliance on Rule 144A under the U.S. Securities Act.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offer or indicate an interest, if qualified to do so, for the International Placing Shares under the International Placing, but may not do both. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the International Placing Shares to (i) institutional and professional investors and other investors in other jurisdictions outside the United States in reliance on Regulation S; and (ii) QIBs in the United States in reliance on Rule 144A under the U.S. Securities Act. The International Purchasers are soliciting from prospective investors indications of interest in acquiring the International Placing Shares in the International Placing. Prospective investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price.

The H Shares will be traded in board lots of 100 each.

The number of Offer Shares to be offered under the Global Offering respectively may be subject to reallocation as described in "Pricing and allocation" in this prospectus.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate only to the Hong Kong Public Offer.

The requisite PRC government approvals, including the approval of the CSRC, in respect of the Global Offering have been obtained.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and 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 Thursday, April 23, 2015 and in any event, no later than 5:00 p.m. on Tuesday, April 28, 2015.

The Offer Price will not be more than HK$59.00 per Offer Share and is expected to be not less than HK$48.50 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, 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 Global Coordinator (on behalf of the Underwriters and with the consent of our Company) consider the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range to be inappropriate, the Sole Global Coordinator (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 before the morning of the last day for lodging applications under the Hong Kong Public Offer. 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 Offer on Thursday, April 23, 2015, cause to publish in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.3healthcare.com a notice of the reduction. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in "Summary" in this prospectus and any other financial information which may change as a result of such reduction. 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 Offer. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon, will be fixed within such revised Offer Price range. 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 Offer, the Offer Price, if agreed upon, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The H Shares to be offered in the Global Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator. Allocation of the International Placing Shares under the International Placing 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 H Shares after the Listing. Such allocation may be made to professional, institutional or corporate investors and is intended to result in a distribution of our H 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 Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by

applicants. 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 final Offer Price, the level of applications in the Hong Kong Public Offer, the level of indications of interest in the International Placing, 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 Offer are expected to be made available in a variety of channels in the manner described in "How to Apply for the Hong Kong Offer Shares—Publication of results" in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of all applications for the Hong Kong Offer Shares under the Hong Kong Public Offer will be conditional on:

(a) the granting of approval by the Listing Committee for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued under the exercise of the Over-allotment Option), and such listing and permission not having been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;

(b) the Offer Price having been determined on or around the Price Determination Date;

(c) the execution and delivery of the International Purchase Agreement on or around the Price Determination Date;

(d) the obligations of the Underwriters under the Underwriting Agreements having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the requisite Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Wednesday, May 20, 2015, being the 30th day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed by 5:00 pm on Tuesday, April 28, 2015 between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived before 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 Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.3healthcare.com on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for the Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on or before Wednesday, April 29, 2015 but will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (a) the Global Offering has become unconditional in all respects and (b) neither of the Underwriting Agreements has been terminated in accordance with its terms.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

HONG KONG PUBLIC OFFER

Number of H Shares initially offered

We are initially offering 4,000,000 H Shares at the Offer Price, representing 10% of the 40,000,000 H Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Offer Shares offered under the Hong Kong Public Offer will represent 2.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Global Offering) will be divided equally into two pools (subject to adjustment of odd lot size): Pool A comprises 2,000,000 Hong Kong Offer Shares and Pool B comprises 2,000,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK$5 million or less will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of more than HK$5 million and up to the total value of Pool B will fall into Pool B. For the purpose of this paragraph only, the "subscription price" for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Investors should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or in both pools will be rejected. No application will be accepted from applicants for more than 2,000,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares).

Reallocation and clawback

The allocation of H Shares between the Hong Kong Public Offer and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for in the Hong Kong Public Offer represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times, and (c) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offer, the total number of Offer Shares available under the Hong Kong Public Offer will be increased to 12,000,000, 16,000,000 and 20,000,000 Offer Shares, representing 30% (in the case of (a)), 40% (in the case of (b)) and 50% (in the case of (c)), respectively, of the total number of H Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated to the International Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Offer Shares will be allocated to Pool A and Pool B.

If the Hong Kong Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate.

Applications

The Sole Global Coordinator (on behalf of the Underwriters) and the Sole Sponsor may require any investor who has been offered Offer Shares under the International Placing, and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Sole Global Coordinator and the Sole Sponsor so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that it is excluded from any application for Hong Kong Offer Shares under the Hong Kong Public Offer.

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest of, any International Placing Shares under the International Placing, and such applicant's application is liable to be rejected if the undertaking and/or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated International Placing Shares under the International Placing.

Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum Offer Price of HK$59.00 per Offer Share plus the brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK$59.00, being the maximum Offer Price, we will refund the respective difference (including the brokerage, 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 "How to Apply for the Hong Kong Offer Shares" in this prospectus.

INTERNATIONAL PLACING

Number of H Shares initially offered

The number of H Shares to be initially offered for subscription or sale under the International Placing will be 36,000,000 H Shares (subject to adjustment and the Over-allotment Option), representing 90% of the Offer Shares under the Global Offering and approximately 22.5% of our enlarged issued share capital immediately after the Global Offering assuming that the Over-allotment Option is not exercised. The International Placing is subject to the Hong Kong Public Offer becoming unconditional.

Allocation

The International Placing will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Under the International Placing, the International Purchasers will conditionally place the International Placing Shares with institutional and professional investors and other investors expected to have a sizeable demand for our H Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S as well as QIBs in the United States in reliance on Rule 144A under the U.S. Securities Act. Allocation of International Placing Shares under the International Placing will be effected in accordance with the "book-building" process described in "Pricing and allocation" in this prospectus 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 H Shares, and/or hold or sell its H Shares, after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base for the benefit of our Company and our Shareholders as a whole.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Offer Shares being offered under the Global Offering (including the additional Offer Shares which may be made available under the exercise of the Over-allotment Option).

Save as disclosed in this prospectus, no part of our H Share is listed or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

OVER-ALLOTMENT OPTION

We expect to grant the Over-allotment Option to the International Purchasers, exercisable by the Sole Global Coordinator on behalf of the International Purchasers at any time on or prior to the date which is the 30th day after the last day for the lodging of Application Forms under the Hong Kong Public Offer. Under the Over-allotment Option, the Sole Global Coordinator will have the right to require us to allot and issue up to an aggregate of 6,000,000 additional new H Shares representing in aggregate of no more than approximately 15% of the Offer Shares initially available under the

Global Offering to, among other things, cover over-allocations in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional H Shares will represent approximately 3.6% of our enlarged issued share capital following the completion of the Global Offering and the exercise of the Over-allotment Option. These H Shares will be issued at the Offer Price. An announcement will be made if the Over-allotment Option is exercised.

STABILIZATION

Stabilization 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 and certain other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, as stabilizing manager 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 stabilizing or maintaining the market price of our H Shares at a level higher than that which might otherwise prevail in the open market for a limited period up to the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer. Any market purchases of H Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it, to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it, and may be discontinued at any time. Any such stabilizing 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 Offer. The number of H Shares that may be over-allocated will not exceed the number of H Shares that may be sold under the Over-allotment Option, namely 6,000,000 H Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilizing actions permitted in Hong Kong under the Securities and Futures (Price Stabilizing) Rules, as amended, include: (a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (c) purchasing or subscribing for, or agreeing to purchase or subscribe for, the H Shares under the Over-allotment Option in order to close out any position established under (a) or (b) above; (d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares; (e) selling or agreeing to sell any H Shares in order to liquidate any position held as a result of those purchases; and (f) offering or attempting to do anything described in (b), (c), (d) or (e) above.

Specifically, prospective applications for and investors in the H Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the H Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a position;

- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it, may have an adverse impact on the market price of the H Shares;
- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the date of the International Purchase Agreement, and is expected to expire on Saturday, May 23, 2015, being the 30th day after the last day for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;
- the price of the H Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- stabilizing bids must be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules, as amended, will be made within seven days of the expiration of the stabilization period.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 6,000,000 additional H Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Sole Global Coordinator on behalf of the International Purchasers, or by making purchases in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, April 30, 2015, it is expected that dealings in H Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, April 30, 2015.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offer 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 Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date.

We expect that we will, on or about Thursday, April 23, 2015, shortly after determination of the Offer Price, enter into the International Purchase Agreement relating to the International Placing.

The terms of the underwriting arrangements, the Underwriting Agreement are summarized in "Underwriting" in this prospectus.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing 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. The 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.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); 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:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion, and on any conditions it 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 the **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 the Company and/or any of its subsidiaries;
- a Director or chief executive officer or supervisor of the Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;

- a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.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, April 20, 2015 until 12:00 noon on Thursday, April 23, 2015 from:

(1) any of the following addresses of the Hong Kong Underwriters:

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

CMB International Capital Limited
Units 1803-4, 18/F
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

(2) or any of the branches of the following receiving banks:

- **Standard Chartered Bank (Hong Kong) Limited**

	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon	68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
	Kwun Tong Hoi Yuen Road	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong, Kowloon
	Mei Foo Manhattan Branch	Shop Nos. 07 & 09, Ground Floor, Mei Foo Plaza, Mei Foo Sun Chuen
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Tai Po Branch	G/F shop No. 2, 23-25 Kwong Fuk Road, Tai Po Market, Tai Po

- **Wing Lung Bank Limited**

	Branch name	**Address**
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
	North Point Branch	361 King's Road
Kowloon	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
	Lam Tin Sceneway Plaza Branch	Shop 59, 3/F Sceneway Plaza, 8 Sceneway Road, Lam Tin
New Territories	Shatin Plaza Branch	21 Shatin Centre Street
	Tsuen Wan Branch	251 Sha Tsui Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, April 20, 2015 until 12:00 noon on Thursday, April 23, 2015 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited—Haohai Biological 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, April 20, 2015 — 9:00 a.m. to 5:00 p.m.
Tueday, April 21, 2015 — 9:00 a.m. to 5:00 p.m.
Wednesday, April 22, 2015 — 9:00 a.m. to 5:00 p.m.
Thursday, April 23, 2015 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, April 23, 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Company Law, the Special Regulations and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, 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);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to the Company, our H Share Registrar, receiving banks, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, 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;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, 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;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; (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; and (iii) you are not, and none of the other person(s) for whose benefit you are applying is, a U.S. person (as defined in Regulation S);

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the 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 H Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the 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;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person;

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent;

(xx) agree with the Company and each Shareholder of the Company that the H Shares are freely transferable by the holders thereof; and

(xxi) authorizes the Company to enter into a contract on your behalf with each of our Directors, Supervisors, managers and officers whereby each such person undertakes to observe and comply with his or her obligations to the Shareholders as stipulated in the Articles of Association.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" 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 the Company. If you apply through the designated website, you authorize 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. on Monday, April 20, 2015 until 11:30 a.m. on Thursday, April 23, 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, April 23, 2015 or such later time under the "Effect of Bad Weather 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 payment 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 (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

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 "Shanghai Haohai Biological Technology Co., Ltd." **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of Dong Jiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the 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
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our H Share Registrar.

GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the 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;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the 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 the Company, our H 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 a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Company Law, the Special Regulations and the Articles of Association;
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong; and

- agree with the Company, for itself and for the benefit of each Shareholder and each Director, Supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each of the Shareholders and each Director, Supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):
  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;
  (b) that any award made in such arbitration shall be final and conclusive; and
  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agree with the Company, for itself and for the benefit of each Shareholder, that the H Shares are freely transferable by the holders thereof; and
- authorize the Company to enter into a contract on its behalf with each Director, Supervisor, manager and officer whereby each such person undertakes to observe and comply with his or her obligations to the Shareholders as stipulated in the Articles of Association.

EFFECT OF GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 100 Hong Kong Offer Shares. Instructions for more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Monday, April 20, 2015 — 9:00 a.m. to 8:30 p.m.(1)
Tuesday, April 21, 2015 — 8:00 a.m. to 8:30 p.m.(1)
Wednesday, April 22, 2015 — 8:00 a.m. to 8:30 p.m.(1)
Thursday, April 23, 2015 — 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, April 20, 2015 until 12:00 noon on Thursday, April 23, 2015 (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, April 23, 2015, the last application day or such later time as described in "Effect of Bad Weather 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 (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H 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.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **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. The Company, the Directors, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers 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, April 23, 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **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 the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for H Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for H 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 100 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to "Structure of the Global Offering — Pricing and Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 a.m. on Thursday, April 23, 2015. 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, April 23, 2015 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 "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Wednesday, April 29, 2015 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the Company's website at **www.3healthcare.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.3healthcare.com and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Wednesday, April 29, 2015;
- 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. on Wednesday, April 29, 2015 to 12:00 midnight on Tuesday, May 5, 2015;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, April 29, 2015 to Saturday, May 2, 2015; and
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, April 29, 2015 to Saturday, May 2, 2015 at all the receiving bank branches and sub-branches.

If the 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 "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the 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 a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The 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.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing 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 dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company, the Sole Global Coordinator or the Sole Sponsor believes that by accepting your application, it 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 Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$59.00 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offer" 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, April 29, 2015.

14. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund 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 dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Wednesday, April 29, 2015. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Thursday, April 30, 2015 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, April 29, 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, April 29, 2015, by ordinary post and at your own risk.

(ii) 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 or before Wednesday, April 29, 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, April 29, 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, April 29, 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the 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 H Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, April 29, 2015, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your H 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 H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, April 29, 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) IF YOU APPLY VIA ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, April 29, 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the 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 Offer in the manner specified in "Publication of Results" above on Wednesday, April 29, 2015. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, April 29, 2015 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, April 29, 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, April 29, 2015.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H 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 H Shares to be admitted into CCASS.

The following is the text of a report on Shanghai Haohai Biological Technology Co., Ltd. prepared for the purpose of incorporation in this prospectus received from the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong.

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central,
Hong Kong

April 20, 2015

The Directors
Shanghai Haohai Biological Technology Co., Ltd.
UBS Securities Hong Kong Limited

Dear Sirs,

We set out below our report on the financial information of Shanghai Haohai Biological Technology Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2012, 2013 and 2014 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 31 December 2012, 2013 and 2014, together with the notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated April 20, 2015 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was established as a limited liability company on 24 January 2007 in the People's Republic of China (the "PRC"), and the Company was transformed into a joint stock company with limited liability on 2 August 2010.

As at the date of this report, the Company has direct interests in the subsidiaries as set out in Note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group and for the years ended 31 December 2012, 2013 and 2014 were prepared under accounting principles generally accepted in the PRC ("PRC GAAP"). The statutory financial statements of the Company were audited by Ernst & Young Hua Ming LLP. Details of the Companies subsidiaries' statutory auditors during the Relevant Periods are set out in Note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in

accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information that gives a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Group and the Company as at 31 December 2012, 2013 and 2014 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2012	2013	2014
	Notes	RMB'000	RMB'000	RMB'000
REVENUE	7	303,065	401,088	515,940
Cost of sales		(50,313)	(54,836)	(65,883)
Gross profit		252,752	346,252	450,057
Other income and gains	7	10,835	23,677	30,764
Selling and distribution expenses		(72,537)	(143,315)	(187,191)
Administrative expenses		(36,272)	(34,221)	(48,960)
Research and development costs		(17,575)	(23,521)	(26,460)
Other expenses		(3,771)	(2,405)	(2,594)
PROFIT BEFORE TAX	8	133,432	166,467	215,616
Income tax expense	11	(19,490)	(24,946)	(32,034)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		113,942	141,521	183,582
Attributable to:				
Owners of the parent	12	113,942	141,521	183,582
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (RMB)				
- For profit for the year	13	0.95	1.18	1.53

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	145,757	270,625	352,003
Prepaid land lease payments	15	33,840	33,102	32,364
Other intangible assets	16	7,436	5,142	4,050
Deferred tax assets	25	2,187	3,835	5,453
Other non-current assets	17	13,530	11,026	10,678
Total non-current assets		202,750	323,730	404,548
CURRENT ASSETS				
Inventories	19	40,864	42,604	76,364
Trade and bills receivables	20	29,480	43,820	62,443
Tax recoverable		—	—	2,752
Prepayments, deposits and other receivables	21	12,290	12,239	18,609
Pledged deposits	22	1,839	1,648	5,846
Cash and bank balances	22	160,814	197,137	181,341
Total current assets		245,287	297,448	347,355
CURRENT LIABILITIES				
Trade and bills payables	23	6,292	6,904	8,790
Other payables and accruals	24	44,559	62,512	125,483
Tax payable		3,851	6,712	4,966
Total current liabilities		54,702	76,128	139,239
NET CURRENT ASSETS		190,585	221,320	208,116
TOTAL ASSETS LESS CURRENT LIABILITIES		393,335	545,050	612,664
NON-CURRENT LIABILITIES				
Deferred tax liabilities	25	982	647	761
Deferred income	26	3,296	13,825	17,743
Total non-current liabilities		4,278	14,472	18,504
NET ASSETS		389,057	530,578	594,160
EQUITY				
Equity attributable to owners of the parent				
Issued capital	27	120,000	120,000	120,000
Reserves	28	269,057	410,578	474,160
		389,057	530,578	594,160
Total equity		389,057	530,578	594,160

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent				
	Issued capital	Share premium account*	Statutory reserve funds*	Retained profits*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2011 and 1 January 2012	120,000	16,154	3,439	135,522	275,115
Total comprehensive income for the year	—	—	—	113,942	113,942
Transfer from retained profits	—	—	15,987	(15,987)	—
As at 31 December 2012 and 1 January 2013	120,000	16,154	19,426	233,477	389,057
Total comprehensive income for the year	—	—	—	141,521	141,521
Transfer from retained profits	—	—	6,851	(6,851)	—
As at 31 December 2013 and 1 January 2014	120,000	16,154	26,277	368,147	530,578
Total comprehensive income for the year	—	—	—	183,582	183,582
Dividend distribution	—	—	—	(120,000)	(120,000)
Transfer from retained profits	—	—	13,920	(13,920)	—
As at 31 December 2014	120,000	16,154	40,197	417,809	594,160

* These reserve accounts comprise the consolidated reserve of RMB269,057,000, RMB410,578,000 and RMB474,160,000 as at 31 December 2012, 2013 and 2014, respectively, in the consolidated statements of financial position.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		133,432	166,467	215,616
Adjustments for:				
Interest income	7	(2,440)	(3,820)	(3,703)
Finance costs	9	—	—	—
Net loss/(gain) on disposal of items of property, plant and equipment	8	3,235	—	(13)
Depreciation	8	11,559	9,562	20,917
Amortisation of prepaid land lease payments	8	673	738	738
Amortisation of other intangible assets	8	1,378	2,389	1,186
Provision for impairment of trade and other receivables	8	380	1,275	2,150
Recognition of government grants related to assets		(154)	(2,121)	(2,929)
		148,063	174,490	233,962
(Increase)/decrease in inventories		3,238	(1,740)	(33,760)
Increase in trade and bills receivables		(6,619)	(15,000)	(19,779)
(Increase)/decrease in pledged deposits		161	191	(4,198)
(Increase)/decrease in prepayments, deposits and other receivables		(6,062)	531	(8,366)
Increase in trade and bills payables		1,275	606	1,886
Increase in other payables and accruals		205	11,896	10,284
Cash generated from operations		140,261	170,974	180,029
Income tax paid		(21,841)	(24,068)	(38,036)
Net cash flows generated from operating activities		118,420	146,906	141,993

	Notes	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		2,440	3,820	3,703
Purchases of items of property, plant and equipment		(64,626)	(124,361)	(93,544)
Proceeds from disposal of items of property, plant and equipment		—	—	366
Receipt of government grants		2,800	10,047	2,100
Additions to other intangible assets		(600)	(95)	(94)
Additions of prepaid land lease payments		(19,307)	—	—
Increase in time deposits with original maturity of more than three months		(5,000)	(660)	(682)
Net cash flows used in investing activities		(84,293)	(111,249)	(88,151)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		—	—	(70,320)
Net cash flows used in financing activities		—	—	(70,320)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		34,127	35,657	(16,478)
Cash and cash equivalents at beginning of year		106,687	140,814	176,477
Effect of foreign exchange rate changes, net		—	6	—
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	140,814	176,477	159,999

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	98,041	132,447	137,759
Prepaid land lease payments	15	15,240	14,888	14,537
Other intangible assets	16	888	833	779
Investments in subsidiaries	18	67,149	67,149	152,249
Deferred tax assets	25	893	1,435	1,966
Other non-current assets	17	5,308	—	—
Total non-current assets		187,519	216,752	307,290
CURRENT ASSETS				
Due from subsidiaries	18	24,780	126,187	71,483
Inventories	19	14,541	18,787	24,794
Trade and bills receivables	20	13,543	22,620	29,960
Tax recoverable		—	—	2,752
Prepayments, deposits and other receivables	21	5,386	5,091	12,706
Pledged deposits	22	950	—	452
Cash and bank balances	22	126,645	40,063	103,577
Total current assets		185,845	212,748	245,724
CURRENT LIABILITIES				
Due to subsidiaries	18	28,063	—	53,794
Trade and bills payables	23	5,040	4,403	2,834
Other payables and accruals	24	16,671	29,403	84,764
Tax payable		2,210	2,433	—
Total current liabilities		51,984	36,239	141,392
NET CURRENT ASSETS		133,861	176,509	104,332
TOTAL ASSETS LESS CURRENT LIABILITIES		321,380	393,261	411,622
NON-CURRENT LIABILITIES				
Deferred income	26	1,906	5,272	4,438
Total non-current liabilities		1,906	5,272	4,438
NET ASSETS		319,474	387,989	407,184
EQUITY				
Issued capital	27	120,000	120,000	120,000
Reserves	28	199,474	267,989	287,184
TOTAL EQUITY		319,474	387,989	407,184

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was established as a limited liability company on 24 January 2007 in the PRC, and the Company was transformed into a joint stock company with limited liability on 2 August 2010. The registered office of the Company is located at No. 5 Tongjing Road, Songjiang Industrial Zone, Shanghai, PRC.

During the Relevant Periods, the Group was principally engaged in the manufacturing and sale of biologicals, medical hyaluronate, research and development of biological engineering and pharmaceutical products and the provision of related services.

In the opinion of the Directors, the ultimate controlling shareholders of the Company are Mr. Jiang Wei and his spouse, Ms. You Jie.

As at the date of this report, the Company has direct interests in the following subsidiaries, all of which are limited liability companies established in the PRC, the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and place of operations	Paid-up capital/ registered ordinary share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
		RMB	%	%	
上海其勝生物製劑有限公司 Shanghai Qisheng Biologicals Co., Ltd.* ("Shanghai Qisheng")	PRC 27 May 1992	60,000,000	100	—	Manufacture and sale of biological reagents, biologicals and biological materials
上海建華精細生物製品有限公司 Shanghai Jianhua Fine Biological Products Co., Ltd.* ("Shanghai Jianhua")	PRC 20 October 1993	15,000,000	100	—	Manufacture and sale of medical sodium hyaluronate, biologicals, biochemical and HA series skin care products
上海利康瑞生物工程有限公司 Shanghai Likangrui Bioengineering Co., Ltd.* ("Shanghai Likangrui")	PRC 3 September 2001	50,000,000	100	—	Research and development of biological engineering and pharmaceutical products and related technology transfer, consultation and services

* English translations of names for identification purposes only.

Note: The statutory financial statements of these three companies for the years ended 31 December 2012, 2013 and 2014 prepared in accordance with the PRC GAAP were audited by Ernst & Young Hua Ming LLP.

2. BASIS OF PRESENTATION

The Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost conversion. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

BASIS OF CONSOLIDATION

This Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. NEW AND REVISED IFRSS NOT YET ADOPTED

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the Financial Information.

IFRS 9	*Financial Instruments*[5]
IFRS 11 Amendments	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[3]
IFRS 15	*Revenue from Contracts with Customers*[4]
IFRS 10 and IAS 28 Amendments	*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
IFRS 10, IFRS 12 and IAS 28 Amendments	*Investment Entities: Applying the Consolidation Exception*[2]
IAS 1 Amendments	*Disclosure Initiative*[2]
IAS 16 and IAS 38 Amendments	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
IAS 16 and IAS 41 Amendments	*Agriculture: Bearer Plants*[2]
IAS 19 Amendments	*Defined Benefit Plans: Employee Contributions*[1]
IAS 27 Amendments	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs issued in December 2013[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs issued in December 2013[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs issued in December 2013[2]

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1 Effective for annual periods beginning on or after 1 July 2014

2 Effective for annual periods beginning on or after 1 January 2016

3 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

4 Effective for annual periods beginning on or after 1 January 2017

5 Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Directors of the Company anticipate that the new and revised IFRSs, excluding IFRS 15 and IAS 1 Amendments, may result in changes in accounting policies but are unlikely to have material impact on the Group's result of operations and financial positions upon application.

IFRS 15 established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance

obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group will adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

IAS 1 Amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement. The Group will adopt IAS 1 Amendments on 1 January 2016 and is currently assessing the impact of IAS 1 Amendments upon adoption.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a

principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each period in the Relevant Periods.

Impairment of non-financial asset

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, goodwill and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each period of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group 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); and

  (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).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over the estimated useful life. The principal annual rates used for this purpose are as follows:

Items	Estimated useful life	Residual value	Principal annual rate
Buildings	25 years	5%	3.8%
Plant and machinery	5-10 years	5%	9.5%-19.0%
Motor vehicles	4-5 years	5%	19.0%-23.8%
Office equipment and others	3-10 years	5%	9.5%-31.7%
Leasehold improvements	5 years	—	20.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings or plant under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and non-patent technology

Purchased patents and non-patent technology are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be

available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Research and development costs which does not meet these criteria is expensed when incurred.

Software

Purchased software is stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful life of 5 years.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether:

(a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and

(b) the arrangement conveys a right to use the asset.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and

includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each period of the Relevant Periods whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes

the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables and other payables and accruals.

Subsequent measurement

After initial recognition, trade and bills payables and other payables and accruals are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labours and an appropriate proportion of overheads based on normal operating capacity. Net realisable value is based on estimated selling prices less estimated costs to be incurred to completion and disposal. Provision for reversal of provision for impairment of inventories is recognised within "cost of sales" in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each period of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each period of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each period of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each period of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each period of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each period of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 22% of their payroll costs to the central pension scheme before 1 October 2013 and 21% of their payroll costs to the central pension scheme after then. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

This Financial Information are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency. Foreign currency transactions recorded by the entities in the Group are

initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of each period of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Financial Information requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each period of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each period of the Relevant Periods. Non-financial assets other than indefinite life intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Useful lives of property, plant and equipment

The Group determines the estimated useful lives, residual value and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual value of property, plant and equipment of similar nature and functions. It

could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(iii) Impairment of trade receivables

The provision policy for impairment of trade receivables is based on ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. Further details are contained in note 20 to the Financial Information.

(iv) Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that tax profit will be available against which the unused tax losses and the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 25 to the Financial Information.

6. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are related to a single operating segment, the manufacturing and sale of biologicals, medical hyaluronate, research and development of biological engineering and pharmaceutical products and the provision of related services. Therefore, no analysis by operating segment is presented.

Geographical information

Since the Group solely operates in Mainland China and all of the assets of the Group are located in Mainland China, geographical segment information as required by IFRS 8 *Operating Segments* is not presented.

Information about major customers

There was no customer, the revenue from which amounted to 5% or more of the Group's revenue during the Relevant Periods.

7. REVENUE AND OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, net of sales taxes and surcharges during the Relevant Periods.

An analysis of revenue, other income and gains is as follows:

		Year ended 31 December		
		2012	2013	2014
		RMB'000	RMB'000	RMB'000
Revenue				
Sale of goods		303,065	401,088	515,940
Other income and gains				
Interest income		2,440	3,820	3,703
Government grants	i)	6,831	17,918	25,664
Gain on disposal of items of property, plant and equipment		—	—	353
Exchange gains		—	6	1
Others		1,564	1,933	1,043
		10,835	23,677	30,764

Note:

i) Various government grants have been received from local government authorities in various regions in Shanghai, the PRC, for setting up research activities. The government grants released have been recorded in other income and gains. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statements of financial position. There were no unfulfilled conditions or contingencies relating to these government grants.

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Cost of inventories sold	50,313	54,836	65,883
Depreciation (note 14)	11,559	9,562	20,917
Amortisation of other intangible assets (note 16)	1,378	2,389	1,186
Amortisation of prepaid land lease payments (note 15)	673	738	738
Auditor's remuneration	950	1,250	500
Minimum lease payments under operating leases:			
Land and buildings	1,463	1,665	2,140
Research and development costs:			
Current year expenditure	17,575	23,521	26,460
Employee benefit expense (excluding Directors' remuneration as set out in note 9)			
-Wages and salaries	30,195	34,047	52,706
-Pension scheme contributions	2,985	3,965	5,502
	33,180	38,012	58,208
Foreign exchange differences, net	—	(6)	(1)
Provision for impairment of trade and other receivables	380	1,275	2,150
Bank interest income	(2,440)	(3,820)	(3,703)
Net loss/(gain) on disposal of items of property, plant and equipment	3,235	—	(13)

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules and Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Fees	200	—	50
Other emoluments:			
Salaries, allowances and benefits in kind	1,919	1,935	2,172
Performance related bonuses	504	951	1,204
Pension scheme contributions	183	207	204
	2,606	3,093	3,580
	2,806	3,093	3,630

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2012					
Independent non-executive Directors:					
Mr. Zhang Xizhen	50	—	—	—	50
Mr. Li Yuanxu	50	—	—	—	50
Ms. Xu Hongyu	50	—	—	—	50
Mr. Shen Youlun	50	—	—	—	50
Executive Directors:					
Mr. Wu Jianying*	—	431	99	33	563
Mr. Ling Xihua	—	300	99	33	432
Mr. Huang Ping	—	276	87	33	396
Dr. Hou Yongtai	—	431	99	33	563
Mr. Gan Renbao	—	135	34	—	169
Ms. Chen Yiyi	—	181	53	25	259
Non-executive Directors:					
Ms. You Jie	—	—	—	—	—
Supervisors:					
Mr. Liu Yuanzhong	—	—	—	—	—
Mr. Shen Rongyuan	—	—	—	—	—
Mr. Wei Changzheng	—	165	33	26	224
	200	1,919	504	183	2,806

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2013					
Independent non-executive Directors:					
Mr. Zhang Xizhen	—	—	—	—	—
Mr. Li Yuanxu	—	—	—	—	—
Ms. Xu Hongyu	—	—	—	—	—
Mr. Shen Youlun	—	—	—	—	—
Executive Directors:					
Mr. Wu Jianying*	—	432	212	36	680
Mr. Ling Xihua	—	299	158	36	493
Mr. Huang Ping	—	276	132	36	444
Dr. Hou Yongtai	—	432	212	36	680
Mr. Gan Renbao	—	132	39	—	171
Ms. Chen Yiyi	—	189	99	34	322
Non-executive Directors:					
Ms. You Jie	—	—	—	—	—
Supervisors:					
Mr. Liu Yuanzhong	—	—	—	—	—
Mr. Shen Rongyuan	—	—	—	—	—
Mr. Wei Changzheng	—	175	99	29	303
	—	1,935	951	207	3,093

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2014					
Independent non-executive Directors:					
Mr. Li Yuanxu	50	—	—	—	50
Mr. Chen Huabin	—	—	—	—	—
Mr. Zhu Qin	—	—	—	—	—
Mr. Shen Hongbo	—	—	—	—	—
Executive Directors:					
Mr. Wu Jianying*	—	457	248	37	742
Mr. Ling Xihua	—	288	179	—	467
Mr. Huang Ping	—	301	145	37	483
Dr. Hou Yongtai	—	457	248	37	742
Mr. Gan Renbao	—	96	75	—	171
Ms. Chen Yiyi	—	217	106	37	360
Non-executive Directors:					
Ms. You Jie	—	—	—	—	—
Supervisors:					
Mr. Liu Yuanzhong	—	—	—	—	—
Mr. Wei Changzheng	—	216	130	36	382
Mr. Yang Qing	—	—	—	—	—
Mr. Tang Yuejun	—	—	—	—	—
Mr. Yang Linfeng	—	140	73	20	233
	50	2,172	1,204	204	3,630

* Mr. Wu Jianying was the chief executive of the Group during the Relevant Periods.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during each period in the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees within the Group during the Relevant Periods is as follows:

	Number of employees Year ended 31 December		
	2012	2013	2014
Directors and chief executive	3	4	4
Non-Directors	2	1	1
	5	5	5

Details of Directors' remuneration are set out in note 9 above.

Details of the remuneration of the above non-Director and non-chief executive, highest paid employees are as follows:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	438	275	301
Performance related bonuses	393	133	129
Pension scheme contributions	67	36	37
	898	444	467

The number of non-Director and non-chief executive, highest paid individuals whose remuneration fell within the following band is as follows:

	Number of employees Year ended 31 December		
	2012	2013	2014
Nil to HK$1,000,000	2	1	1

11. INCOME TAX

The Company and its subsidiaries are registered in the PRC and only have operations in Mainland China. They are subject to PRC corporate income tax ("CIT") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws.

In 2011, the Company and its subsidiaries, Shanghai Qisheng and Shanghai Jianhua, were accredited as high and new-tech enterprises (the "HNTE status") respectively, effective for three years from 2011 to 2013 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during the period from 2011 to 2013. HNTE status is re-evaluated every three years. The Company and its subsidiaries, Shanghai Qisheng and Shanghai Jianhua submitted the applications for the new certificate to the relevant government authorities and passed the public notification stage in 2014. In January 2015, the Company, Shanghai Qisheng and Shanghai Jianhua obtained the renewed certificate of high and new-tech enterprises and are entitled the preferential tax rate of 15% during the three years from 2014 to 2016.

The applicable tax rate of Shanghai Likangrui was 25%.

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Current	20,363	26,929	33,538
Deferred (note 25)	(873)	(1,983)	(1,504)
Total tax charge for the year	19,490	24,946	32,034

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Profit before tax	133,432	166,467	215,616
Tax at the statutory tax rate	33,358	41,617	53,904
Adjustments in respect of current tax of previous years	(324)	1,280	436
Additional deductible allowance for research and development expenses	(2,111)	(2,868)	(3,202)
Expenses not deductible for tax	913	859	1,189
Tax losses not recognised	647	689	1,062
Tax saving from preferential tax rate due to HNTE status	(12,993)	(16,631)	(21,355)
Tax charge at the Group's effective rate	19,490	24,946	32,034

The effective tax rates of the Group were 14.6%, 15.0% and 14.9% in the years ended 31 December 2012, 2013 and 2014, respectively.

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the Relevant Periods includes a profit of RMB46,867,000, RMB62,515,000 and RMB76,195,000 during the years ended 31 December 2012, 2013 and 2014, respectively, which has been dealt with in the financial statements of the Company.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the Relevant Periods. The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Earnings			
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	113,942	141,521	183,582
Shares			
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	120,000,000	120,000,000	120,000,000

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At 1 January 2012	24,470	61,632	2,451	18,265	13,774	15,026	135,618
Additions	30	446	—	198	71,498	—	72,172
Transfers	—	265	—	924	(1,189)	—	—
Disposals	—	(1,105)	—	(104)	—	(4,362)	(5,571)
At 31 December 2012 and 1 January 2013	24,500	61,238	2,451	19,283	84,083	10,664	202,219
Additions	—	4	2,509	266	131,651	—	134,430
Transfers	—	20,762	—	778	(21,540)	—	—
Disposals	—	—	(113)	(3)	—	—	(116)
At 31 December 2013 and 1 January 2014	24,500	82,004	4,847	20,324	194,194	10,664	336,533
Additions	—	997	4,428	1,874	95,349	—	102,648
Transfers	30,519	126,068	—	8,693	(194,366)	29,086	—
Disposals	—	(3,756)	—	(152)	—	—	(3,908)
At 31 December 2014	55,019	205,313	9,275	30,739	95,177	39,750	435,273

Group

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:							
At 1 January 2012	2,439	26,336	1,726	9,258	—	7,480	47,239
Depreciation provided	1,128	4,281	330	3,278	—	2,542	11,559
Disposals	—	(1,056)	—	(99)	—	(1,181)	(2,336)
At 31 December 2012 and 1 January 2013	3,567	29,561	2,056	12,437	—	8,841	56,462
Depreciation provided	1,196	4,016	484	3,134	—	732	9,562
Disposals	—	—	(113)	(3)	—	—	(116)
At 31 December 2013 and 1 January 2014	4,763	33,577	2,427	15,568	—	9,573	65,908
Depreciation provided	1,784	10,957	1,259	4,158	—	2,759	20,917
Disposals	—	(3,410)	—	(145)	—	—	(3,555)
At 31 December 2014	6,547	41,124	3,686	19,581	—	12,332	83,270
Net book value:							
At 31 December 2012	20,933	31,677	395	6,846	84,083	1,823	145,757
At 31 December 2013	19,737	48,427	2,420	4,756	194,194	1,091	270,625
At 31 December 2014	48,472	164,189	5,589	11,158	95,177	27,418	352,003

Company

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At 1 January 2012	24,470	24,116	—	13,716	12,952	896	76,150
Additions	30	400	—	154	40,737	—	41,321
Transfers	—	71	—	165	(236)	—	—
At 31 December 2012 and 1 January 2013	24,500	24,587	—	14,035	53,453	896	117,471
Additions	—	4	1,119	196	39,244	—	40,563
Disposals	—	—	—	(3)	—	—	(3)
At 31 December 2013 and 1 January 2014	24,500	24,591	1,119	14,228	92,697	896	158,031
Additions	—	685	4,557	1,425	10,340	—	17,007
Transfers	30,519	55,567	—	6,268	(93,253)	899	—
Disposals	—	(192)	—	(97)	—	—	(289)
At 31 December 2014	55,019	80,651	5,676	21,824	9,784	1,795	174,749

Company

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:							
At 1 January 2012	2,439	4,380	—	6,156	—	314	13,289
Depreciation provided	1,128	2,249	—	2,674	—	90	6,141
At 31 December 2012 and 1 January 2013	3,567	6,629	—	8,830	—	404	19,430
Depreciation provided	1,196	2,289	69	2,513	—	90	6,157
Disposals	—	—	—	(3)	—	—	(3)
At 31 December 2013 and 1 January 2014	4,763	8,918	69	11,340	—	494	25,584
Depreciation provided	1,783	5,610	773	3,275	—	239	11,680
Disposals	—	(182)	—	(92)	—	—	(274)
At 31 December 2014	6,546	14,346	842	14,523	—	733	36,990
Net book value:							
At 31 December 2012	20,933	17,958	—	5,205	53,453	492	98,041
At 31 December 2013	19,737	15,673	1,050	2,888	92,697	402	132,447
At 31 December 2014	48,473	66,305	4,834	7,301	9,784	1,062	137,759

15. PREPAID LAND LEASE PAYMENTS

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	15,944	34,578	33,840
Additions	19,307	—	—
Amortisation	(673)	(738)	(738)
Carrying amount at 31 December	34,578	33,840	33,102
Current portion included in prepayments, deposits and other receivables	(738)	(738)	(738)
Non-current portion	33,840	33,102	32,364

Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	15,944	15,592	15,240
Amortisation	(352)	(352)	(352)
Carrying amount at 31 December	15,592	15,240	14,888
Current portion included in prepayments, deposits and other receivables	(352)	(352)	(351)
Non-current portion	15,240	14,888	14,537

The leasehold land is situated in Mainland China and is held under a long term lease.

16. OTHER INTANGIBLE ASSETS

Group

	Patents	Non-patent technology	Software	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January 2012	10,799	535	194	11,528
Additions	600	—	—	600
Disposals	—	—	(51)	(51)
At 31 December 2012 and 1 January 2013	11,399	535	143	12,077
Additions	95	—	—	95
At 31 December 2013 and 1 January 2014	11,494	535	143	12,172
Additions	94	—	—	94
At 31 December 2014	11,588	535	143	12,266
Accumulated amortisation:				
At 1 January 2012	2,826	473	15	3,314
Amortisation provided	1,260	53	65	1,378
Disposals	—	—	(51)	(51)
At 31 December 2012 and 1 January 2013	4,086	526	29	4,641
Amortisation provided	2,351	9	29	2,389
At 31 December 2013 and 1 January 2014	6,437	535	58	7,030
Amortisation provided	1,157	—	29	1,186
At 31 December 2014	7,594	535	87	8,216
Net book value:				
At 31 December 2012	7,313	9	114	7,436
At 31 December 2013	5,057	—	85	5,142
At 31 December 2014	3,994	—	56	4,050

Company

	Patents	Non-patent technology	Software	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January 2012	400	535	143	1,078
Additions	600	—	—	600
At 31 December 2012 and 1 January 2013	1,000	535	143	1,678
Additions	95	—	—	95
At 31 December 2013 and 1 January 2014	1,095	535	143	1,773
Additions	94	—	—	94
At 31 December 2014	1,189	535	143	1,867
Accumulated amortisation:				
At 1 January 2012	17	473	—	490
Amortisation provided	218	53	29	300
At 31 December 2012 and 1 January 2013	235	526	29	790
Amortisation provided	112	9	29	150
At 31 December 2013 and 1 January 2014	347	535	58	940
Amortisation provided	119	—	29	148
At 31 December 2014	466	535	87	1,088
Net book value:				
At 31 December 2012	765	9	114	888
At 31 December 2013	748	—	85	833
At 31 December 2014	723	—	56	779

17. OTHER NON-CURRENT ASSETS

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Prepayments for property, plant and equipment	13,530	11,026	10,678

Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Prepayments for property, plant and equipment	5,308	—	—

18. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Unlisted equity investments, at cost	67,149	67,149	152,249

The amounts due from subsidiaries included in the Company's current assets were RMB24,780,000, RMB126,187,000 and RMB71,483,000 and the amounts due to subsidiaries included in the Company's current liabilities were RMB28,063,000, nil and RMB53,794,000 as at 31 December 2012, 2013 and 2014, respectively. They were unsecured, interest-free and had no fixed terms of repayment.

19. INVENTORIES

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Raw materials	9,880	20,714	28,529
Work in progress	5,076	10,723	9,771
Finished goods	25,908	11,167	38,064
	40,864	42,604	76,364

Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Raw materials	4,535	7,292	7,364
Work in progress	5,105	4,049	6,621
Finished goods	4,901	7,446	10,809
	14,541	18,787	24,794

None of the Group's and the Company's inventories were pledged during the Relevant Periods.

20. TRADE AND BILLS RECEIVABLES

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Bills receivable	2,100	3,700	811
Trade receivables	28,840	42,240	64,908
Impairment for trade receivables	(1,460)	(2,120)	(3,276)
	29,480	43,820	62,443

Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Bills receivable	2,100	3,700	811
Trade receivables	12,049	19,918	30,697
Impairment for trade receivables	(606)	(998)	(1,548)
	13,543	22,620	29,960

Customers are usually required to make payment in advance before the Group delivers goods to them. However, the Group's trading terms with certain major customers with good repayment history and high reputations are on credit. The credit period is generally one to six months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of trade and bills receivables as at the end of each period of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Within 3 months	24,619	35,867	52,132
3 to 6 months	4,744	7,705	11,056
6 months to 1 year	1,461	2,315	2,340
1 to 2 years	116	53	184
2 to 3 years	—	—	7
	30,940	45,940	65,719

Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Within 3 months	12,446	20,014	26,328
3 to 6 months	1,566	2,943	4,420
6 months to 1 year	115	650	685
1 to 2 years	22	11	68
2 to 3 years	—	—	7
	14,149	23,618	31,508

The movements in provision for impairment of trade receivables are as follows:

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
At 1 January	1,136	1,460	2,120
Impairment losses recognised	324	697	1,156
Impairment losses reversed	—	(37)	—
	1,460	2,120	3,276

Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
At 1 January	382	606	998
Impairment losses recognised	224	392	550
	606	998	1,548

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of RMB23,000, RMB11,000 and RMB40,000 as at 31 December 2012, 31 December 2013 and 31 December 2014 with carrying amounts before provisions of RMB116,000, RMB53,000 and RMB191,000 as at 31 December 2012, 31 December 2013 and 31 December 2014, respectively, based on aged analysis. The others are for collectively impaired trade receivables at the end of each period of the Relevant Periods.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered.

As at the balance sheet date of the Relevant Periods, both the Group and the Company did not have any trade receivables which were neither individually nor collectively considered to be impaired.

The Group endorsed certain bills receivable accepted by banks in the PRC (the "Derecognized Bills"), to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB1,300,000, RMB7,530,000 and RMB4,800,000 separately as at 31 December 2012, 31 December 2013 and 31 December 2014. The Derecognized Bills have a maturity from one to six months at the end of the each period of Relevant Periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognized Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the

Derecognized Bills. Accordingly, it has derecognized the full carrying amounts of the Derecognized Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills equals to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognized Bills are not significant.

During the Relevant Periods, the Group has not recognized any gain or loss on the date of transfer of the Derecognized Bills. No gains or losses were recognized from the continuing involvement, both during the year or cumulatively.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Prepayments	5,286	5,148	4,720
Deposits and other receivables	7,382	8,084	15,876
Impairment	(378)	(993)	(1,987)
	12,290	12,239	18,609

Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Prepayments	3,354	1,721	2,752
Deposits and other receivables	2,120	3,548	11,003
Impairment	(88)	(178)	(1,049)
	5,386	5,091	12,706

The movements in provision for impairment of deposits and other receivables are as follows:

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
At 1 January	322	378	993
Impairment losses recognised	224	615	994
Impairment losses reversed	(168)	—	—
	378	993	1,987

Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
At 1 January	254	88	178
Impairment losses recognised	—	90	871
Impairment losses reversed	(166)	—	—
	88	178	1,049

22. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	140,814	176,477	159,999
Time deposits with original maturity of more than three months when acquired	20,000	20,660	21,342
Cash and bank balances	160,814	197,137	181,341
Pledged deposits			
- Pledged for bank endorsed bills payable	1,839	1,648	5,846

Company

	As at 31 December		
	2012	2013	2013
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	106,645	19,403	82,235
Time deposits with original maturity of more than three months when acquired	20,000	20,660	21,342
Cash and bank balances	126,645	40,063	103,577
Pledged deposits			
- Pledged for bank endorsed bills payable	950	—	452

At the end of each period of the Relevant Periods, nearly 100% of the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods between three months and one year, depending on the immediate cash requirements of the Group. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE AND BILLS PAYABLES

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Trade payables	4,453	5,256	2,944
Bills payable	1,839	1,648	5,846
	6,292	6,904	8,790

Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Trade payables	4,090	4,403	2,382
Bills payable	950	—	452
	5,040	4,403	2,834

An aged analysis of the trade and bills payables as at the end of each period of the Relevant Periods, based on the invoice date, is as follows:

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Within 3 months	6,098	4,973	8,671
3 months to 1 year	146	1,882	72
Over 1 year	48	49	47
	6,292	6,904	8,790

Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Within 3 months	4,888	2,515	2,791
3 months to 1 year	146	1,882	37
Over 1 year	6	6	6
	5,040	4,403	2,834

The trade payables were non-interest-bearing and normally settled on 30 to 90 day terms.

24. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Withholding individual income tax on dividends	—	—	24,000
Other taxes payable	3,801	5,268	5,960
Advances from customers	4,569	9,079	5,257
Payroll and welfare payable	7,346	7,211	9,903
Dividends payable	—	—	25,680
Payables related to:			
Government grants received	24,584	26,622	19,178
Purchases of property, plant and equipment	901	9,561	17,315
Deposits received	1,959	2,816	10,986
Others	1,399	1,955	7,204
	44,559	62,512	125,483

Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Withholding individual income tax on dividends	—	—	24,000
Other taxes payable	2,260	3,314	6,788
Advances from customers	1,838	6,649	923
Payroll and welfare payable	3,338	3,116	4,012
Dividends payable	—	—	25,680
Payables related to:			
Government grants received	7,035	11,110	8,440
Purchases of property, plant and equipment	901	4,084	4,027
Deposits received	992	794	7,004
Others	307	336	3,890
	16,671	29,403	84,764

The above balances were non-interest-bearing and repayable on demand.

25. DEFERRED TAX

Deferred tax liabilities

Group

	Fair value adjustments arising from acquisition of subsidiaries
	RMB'000
At 1 January 2012	1,174
Deferred tax credited	(192)
Gross deferred tax liabilities at 31 December 2012	982
Deferred tax credited	(335)
Gross deferred tax liabilities at 31 December 2013	647
Deferred tax charged	114
Gross deferred tax liabilities at 31 December 2014	761

Deferred tax assets

Group

	Accruals	Impairment of receivables	Deferred income	Unrealised profit from intragroup transactions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	750	219	—	537	1,506
Deferred tax credited/(charged)	307	57	494	(177)	681
Gross deferred tax assets at 31 December 2012	1,057	276	494	360	2,187
Deferred tax credited/(charged)	(12)	191	1,580	(111)	1,648
Gross deferred tax assets at 31 December 2013	1,045	467	2,074	249	3,835
Deferred tax credited/(charged)	854	318	587	(141)	1,618
Gross deferred tax assets at 31 December 2014	1,899	785	2,661	108	5,453

Company

	Accruals	Impairment of receivables	Deferred income	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	329	96	—	425
Deferred tax credited/(charged)	173	9	286	468
Gross deferred tax assets at 31 December 2012	502	105	286	893
Deferred tax credited/(charged)	(35)	72	505	542
Gross deferred tax assets at 31 December 2013	467	177	791	1,435
Deferred tax credited/(charged)	444	212	(125)	531
Gross deferred tax assets at 31 December 2014	911	389	666	1,966

As at 31 December 2014, the Group had tax losses arising in Mainland China of RMB14,453,000 (31 December 2013: RMB10,005,000 and 31 December 2012: RMB7,194,000) that would expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in a subsidiary that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Tax losses	7,194	10,005	14,453

26. DEFERRED INCOME

Group

	Government grants
	RMB'000
At 1 January 2012	—
Additions	3,450
Released during the year	(154)
Deferred income at 31 December 2012	3,296
Additions	12,650
Released during the year	(2,121)
Deferred income at 31 December 2013	13,825
Additions	6,847
Released during the year	(2,929)
Deferred income at 31 December 2014	17,743

Company

	Government grants
	RMB'000
At 1 January 2012	—
Additions	2,000
Released during the year	(94)
Deferred income at 31 December 2012	1,906
Additions	4,200
Released during the year	(834)
Deferred income at 31 December 2013	5,272
Released during the year	(834)
Deferred income at 31 December 2014	4,438

27. SHARE CAPITAL

Group and Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Authorised:			
Number of ordinary shares'000	120,000	120,000	120,000
Par value per share (RMB)	1	1	1
Issued and fully paid:			
Number of ordinary shares'000	120,000	120,000	120,000
Par value per share (RMB)	1	1	1
RMB'000	120,000	120,000	120,000

28. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

Pursuant to the relevant laws and regulations in Mainland China, a portion of the profits of the Company has been transferred to statutory reserve funds which are restricted as to use.

Company

	Share premium account	Surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2012	5,217	3,439	30,951	39,607
Total comprehensive income for the year	—	—	159,867	159,867
Transfer from retained profits	—	15,987	(15,987)	—
As at 31 December 2012	5,217	19,426	174,831	199,474
Total comprehensive income for the year	—	—	68,515	68,515
Transfer from retained profits	—	6,851	(6,851)	—
As at 31 December 2013	5,217	26,277	236,495	267,989
Total comprehensive income for the year	—	—	139,195	139,195
Dividend distribution	—	—	(120,000)	(120,000)
Transfer from retained profits	—	13,920	(13,920)	—
As at 31 December 2014	5,217	40,197	241,770	287,184

Pursuant to the resolution of temporary shareholders meeting on 16 October 2014, the Company announced and distributed a cash dividend of RMB120,000,000.

29. CONTINGENT LIABILITIES

At the end of each period of the Relevant Periods, contingent liabilities not provided for in the financial statements were as follows:

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Contingent liabilities due to pending litigation	4,320	—	—

Note: On 10 February 2012, the Company's wholly owned subsidiary, Shanghai Qisheng received a notice of responding to action with court case No.95 (2012) Min Min San (Zhi) Chu Zi from the People's Court of Minhang District in Shanghai. In this case, Shanghai Qisheng Biological Material Technology Research Institute Co., Ltd. (hereinafter referred to as "Qisheng Research Institute") sued Shanghai Qisheng for the trademark infringement (trademark No.928144, No.3729595 and No.7469679), claiming the discontinuance of the trademark infringement as well as a trademark royalty fee of RMB4.32 million. In the process of trial, Qisheng Research Institute changed the claims to decreeing Shanghai Qisheng to discontinue the trademark infringement related to trademarks of No.928144 and No.3729595 and compensate RMB4.32 million for the loss attributable for the trademark infringement. On 26 March 2013, the People's Court of Minhang District in Shanghai made the first trial decision to dismiss the claim. On 9 April 2013, Qisheng Research Institute appealed to Shanghai No.1 Intermediate People's Court, requesting to revoke the first trial decision made by the People's Court of Minhang District. On 17 July 2013, Shanghai No.1 Intermediate People's Court made the second trial decision as well as the final judgement of rejecting Qisheng Research Institute's appeal.

30. PLEDGE OF ASSETS

The Group's bank endorsed bills payable are secured by the pledged deposits of the Group, details of which are included in note 22 to the financial statements.

31. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its property, plant and equipment under operating lease arrangements. Leases for property, plant and equipment are negotiated for terms of one to five years.

At the end of each period of the Relevant Periods, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Within one year	1,092	2,291	1,878
In the second to fifth years, inclusive	5,480	4,684	4,313
	6,572	6,975	6,191

Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Within one year	278	487	924
In the second to fifth years, inclusive	1,510	1,260	1,992
	1,788	1,747	2,916

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group and the Company had the following capital commitments at the end of each period of the Relevant Periods:

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for in respect of acquisition of:			
plant and machinery	55,277	55,492	45,272

Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for in respect of acquisition of:			
plant and machinery	29,594	12,859	19,841

33. RELATED PARTY TRANSACTIONS

(a) Other transactions with related parties:

On 6 February 2014, the Company signed two separate leasing contracts (the "Original Contracts") with the ultimate controlling shareholder Ms. You Jie and Haohai Chemical. Pursuant to the leasing contract signed with Ms. You Jie, the Company rented Room 501 and 502, Building 2, No. 139 Anshun Road with total building area of 329.77 square meters and monthly rental fee of RMB25,000, lease period from 1 January 2014 to 31 December 2023. Pursuant to the leasing contract signed with Haohai Chemical, the Company rented Room 503 and 504, Building 2, No. 139 Anshun Road with the same total building area, monthly rental fee and lease period.

On 7 December 2014, the Company signed another two leasing contracts (the "New Contracts") with Ms. You Jie and Haohai Chemical, separately. The New Contracts which is effective on 1 January 2015 kept same terms of the Original Contracts except for the lease period revised to the three-year period ending 31 December 2017. At the same time, the above Original Contracts were terminated on 1 January 2015.

(b) Compensation of key management personnel of the Group:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Short term employee benefits	3,569	4,144	4,329
Pension scheme contributions	283	281	249
Total compensation paid to key management personnel	3,852	4,425	4,578

Further details of Directors' remuneration are included in note 9 to the Financial Information.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each period of the Relevant Periods are as follows:

Group

Financial assets

Loans and receivables

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Trade and bills receivables	29,480	43,820	62,443
Financial assets included in prepayments, deposits and other receivables	6,266	4,855	3,678
Pledged deposits	1,839	1,648	5,846
Cash and bank balances	160,814	197,137	181,341
	198,399	247,460	253,308

Financial liabilities

Financial liabilities at amortised cost

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Trade and bills payables	6,292	6,904	8,790
Financial liabilities included in other payables and accruals	4,259	14,332	35,505
	10,551	21,236	44,295

Company

Financial assets

Loans and receivables

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Due from subsidiaries	24,780	126,187	71,483
Trade and bills receivables	13,543	22,620	29,960
Financial assets included in prepayments, deposits and other receivables	1,678	1,698	130
Pledged deposits	950	—	452
Cash and bank balances	126,645	40,063	103,577
	167,596	190,568	205,602

Financial liabilities

Financial liabilities at amortised cost

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Due to subsidiaries	28,063	—	53,794
Trade and bills payables	5,040	4,403	2,834
Financial liabilities included in other payables and accruals	2,200	5,214	14,921
	35,303	9,617	71,549

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits, and other receivables, trade and bills payables, financial liabilities included in other payables and accruals and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each period of the Relevant Periods, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

It is, and has been throughout the years under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, pledged deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As at 31 December 2012, 2013 and 2014, no trade receivable derived from an individual customer exceeded 5% of the Group's total trade receivable except for China National Medicines Corporation Ltd. (國藥集團藥業股份有限公司 or "CNMC"), which is a state-owned listed company with good reputation. The trade receivable derived from CNMC was 11.3%, 6.5% and 7.3% of the Group's total trade receivable as at 31 December 2012, 2013 and 2014, respectively. The directors of the Company are of the opinion that the Group was not exposed to any significant concentration of credit risk during the Relevant Periods.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the Financial Information.

Liquidity risk

The maturity profile of the Group's financial liabilities as at the end of each period of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Group

31 December 2012

	On demand	Less than 3 months	Over 3 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	2,386	1,839	2,067	6,292
Financial liabilities included in other payables and accruals	4,259	—	—	4,259
	6,645	1,839	2,067	10,551

31 December 2013

	On demand	Less than 3 months	Over 3 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	4,472	1,648	784	6,904
Financial liabilities included in other payables and accruals	14,332	—	—	14,332
	18,804	1,648	784	21,236

31 December 2014

	On demand	Less than 3 months	Over 3 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	2,944	5,846	—	8,790
Financial liabilities included in other payables and accruals	35,505	—	—	35,505
	38,449	5,846	—	44,295

Company

31 December 2012

	On demand	Less than 3 months	Over 3 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Due to subsidiaries	28,063	—	—	28,063
Trade and bills payables	2,094	950	1,996	5,040
Financial liabilities included in other payables and accruals	2,200	—	—	2,200
	32,357	950	1,996	35,303

31 December 2013

	On demand	Less than 3 months	Over 3 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	3,891	—	512	4,403
Financial liabilities included in other payables and accruals	5,214	—	—	5,214
	9,105	—	512	9,617

31 December 2014

	On demand	Less than 3 months	Over 3 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Due to subsidiaries	53,794	—	—	53,794
Trade and bills payables	2,382	452	—	2,834
Financial liabilities included in other payables and accruals	14,921	—	—	14,921
	71,097	452	—	71,549

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a debt to assets ratio, which is debt divided by the total assets. Debt includes total current liabilities and total non-current liabilities.

At the end of each of the Relevant Periods, the Group's strategy was to maintain the debt to assets ratio at a healthy level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable debt to assets ratio to support its business. The debt to assets ratios at the end of each of the Relevant Periods are as follows:

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Total current liabilities	54,702	76,128	139,239
Total non-current liabilities	4,278	14,472	18,504
Debt	58,980	90,600	157,743
Total assets	448,037	621,178	751,903
Debt to assets ratio	13.2%	14.6%	21.0%

37. EVENTS AFTER THE RELEVANT PERIODS

On 5 February 2015, the Company made a cash contribution of RMB6,000,000 to Shanghai Baiyue Medical Equipment Company Limited (上海柏越醫療設備有限公司, "Shanghai Baiyue"). Shanghai Baiyue was established in the PRC on 25 September 2014 with a registered share capital of RMB1,000,000. Ms. Gu Lingzhi and Mr. Li Xudong held 85% and 15% of equity interest in Shanghai Baiyue, respectively before the capital increase below. Pursuant to the shareholders' resolutions of Shanghai Baiyue on 28 January 2015, the shareholders of Shanghai Baiyue agreed to increase the paid-in capital from RMB1,000,000 to RMB10,000,000. Out of the amount for the capital increase, Gu Lingzhi contributed RMB2,750,000, Li Xudong contributed RMB250,000 and the Company contributed RMB6,000,000 in cash as paid-in capital of Shanghai Baiyue, respectively. On 3 February 2015, Shanghai Baiyue completed its registration with the Shanghai Administration for Industry and Commerce and became a 60% owned subsidiary of the Company.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of subsidiaries in respect of any period subsequent to 31 December 2014.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a report on Shanghai Baiyue Medical Equipment Co., Ltd. prepared for the purpose of incorporation in this Prospectus, received from the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong.

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central,
Hong Kong

April 20, 2015

The Directors
Shanghai Baiyue Medical Equipment Co., Ltd.
UBS Securities Hong Kong Limited

Dear Sirs,

We set out below our report on the financial information of Shanghai Baiyue Medical Equipment Co., Ltd. (the "Company") comprising the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Company for the period from 25 September 2014 (date of incorporation) to 31 December 2014 (the "Relevant Period"), and the statements of financial position of the Company as at 31 December 2014, together with the notes thereto (the "Financial Information").

The Company was established as a limited liability company on 25 September 2014 in the People's Republic of China (the "PRC").

The Company has adopted 31 December as its financial year end date. As of the date of this report, no statutory financial statements have been prepared for the Company.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the financial statements of the Company (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for the Relevant Period were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information that gives a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Company as at 31 December 2014 and of the results and cash flows of the Company for the Relevant Period.

I. FINANCIAL INFORMATION

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	During the period from 25 September 2014 (date of incorporation) to 31 December 2014 RMB'000
Administrative expenses		(668)
LOSS BEFORE TAX		(668)
Income tax expense	9	—
LOSS AND TOTAL COMPREHENSIVE INCOME FOR RELEVANT PERIOD		(668)

STATEMENTS OF FINANCIAL POSITION

	Notes	31 December 2014 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment		13
Total non-current assets		13
CURRENT ASSETS		
Inventories	10	1,020
Prepayments, deposits and other receivables	11	33
Cash and bank balances	12	353
Total current assets		1,406
CURRENT LIABILITIES		
Other payables and accruals	13	1,087
Total current liabilities		1,087
NET CURRENT ASSETS		319
TOTAL ASSETS LESS CURRENT LIABILITIES		332
NET ASSETS		332
EQUITY		
Paid-in capital	14	1,000
Accumulated loss	15	(668)
		332
Total equity		332

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Accumulated loss	Total
	RMB'000	RMB'000	RMB'000
As at 25 September 2014 (date of incorporation)	—	—	—
Total comprehensive income for the Relevant Period	—	(668)	(668)
Issue of shares	1,000	—	1,000
As at 31 December 2014	1,000	(668)	332

STATEMENTS OF CASH FLOWS

	During the period from 25 September 2014 (date of incorporation) to 31 December 2014
	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before tax	(668)
Increase in inventories	(1,020)
Increase in prepayments, deposits and other receivables	(33)
Increase in other payables and accruals	1,087
Cash used in operating activities	(634)
Income tax paid	—
Net cash used in operating activities	(634)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of items of property, plant and equipment	(13)
Net cash used in investing activities	(13)
CASH FLOWS FROM FINANCING ACTIVITIES	
Capital injection	1,000
Net cash generated from financing activities	1,000
CASH AND CASH EQUIVALENTS AT END OF RELEVANT PERIOD	353

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated as a limited liability company on 25 September 2014 in the PRC. The registered office of the Company is located at No. 1555 Kongjiang Road, Yangpu District, Shanghai, PRC. The registered share capital is RMB1,000,000.

The Company was principally engaged in sale of third category medical equipment, laboratory equipment and consumables, chemicals, building materials, hardware and electrical equipment, plastics, office suppliers, mechanical and electrical equipment, cosmetics, clothing and shoes, research and development of medicine science and technology, computer hardware and software, environmental protection and technology and biological engineering, design, produce and issue of advertisements.

On 25 September 2014 (date of incorporation), the percentages of equity interests held by Mr. Xu Fang, Ms. Gu Lingzhi and Mr. Li Xudong were 55%, 30% and 15%, respectively. On 29 December 2014, Mr. Xu Fang transferred all his equity interests in the Company to Ms. Gu Lingzhi at a consideration of RMB550,000. After that, the percentages of equity interests held by Ms. Gu Lingzhi and Mr. Li Xudong were 85% and 15%, respectively.

2. BASIS OF PRESENTATION

The Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB.

The Financial Information has been prepared under the historical cost conversion. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

3. NEW AND REVISED IFRSS NOT YET ADOPTED

The Company has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the Financial Information.

IFRS 9	*Financial Instruments*[5]
IFRS 11 Amendments	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[3]
IFRS 15	*Revenue from Contracts with Customers*[4]
IFRS 10 and IAS 28 Amendments	*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
IFRS 10, IFRS 12 and IAS 28 Amendments	*Investment Entities: Applying the Consolidation Exception*[2]
IAS 1 Amendments	*Disclosure Initiative*[2]
IAS 16 and IAS 38 Amendments	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
IAS 16 and IAS 41 Amendments	*Agriculture: Bearer Plants*[2]

IAS 19 Amendments	*Defined Benefit Plans: Employee Contributions*[1]
IAS 27 Amendments	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs issued in December 2013[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs issued in December 2013[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs issued in December 2013[2]

1 Effective for annual periods beginning on or after 1 July 2014

2 Effective for annual periods beginning on or after 1 January 2016

3 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

4 Effective for annual periods beginning on or after 1 January 2017

5 Effective for annual periods beginning on or after 1 January 2018

The Company is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Directors of the Company anticipate that the new and revised IFRSs, excluding IFRS 15 and IAS 1 Amendments, may result in changes in accounting policies but are unlikely to have material impact on the Company's result of operations and financial positions upon application.

IFRS 15 established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Company will adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

IAS 1 Amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement. The Company will adopt IAS 1 Amendments on 1 January 2016 and is currently assessing the impact of IAS 1 Amendments upon adoption.

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person
   (i) has control or joint control over the Company;
   (ii) has significant influence over the Company; or
   (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

(b) the party is an entity where any of the following conditions applies:
  (i) the entity and the Company are members of the same group;
  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  (iii) the entity and the Company 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 Company or an entity related to the Company.
  (vi) the entity is controlled or jointly controlled by a person identified in (a); and
  (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).

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Company is the lessor, assets leased by the Company under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Company is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether:

(a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and

(b) the arrangement conveys a right to use the asset.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses at the end of 31 December 2014 whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes

the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, trade and bills payables and other payables and accruals are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the individual basis. Net realisable value is based on estimated selling prices less estimated costs to be incurred to disposal.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the year, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary

differences, the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the year.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Company's operating activities are related to a single operating segment, the sale of medical equipment. Therefore, no analysis by operating segment is presented.

Geographical information

Since the Company solely operates in Mainland China and all of the assets of the Company are located in Mainland China, geographical segment information as required by IFRS 8 *Operating Segments* is not presented.

Information about major customers

There was no sale during the Relevant Period.

6. LOSS BEFORE TAX

The Company's loss before tax is arrived at after charging:

	During the period from 25 September 2014 (date of incorporation) to 31 December 2014
	RMB'000
Minimum lease payments under operating leases of Land and buildings	97
Staff costs (excluding director's remuneration (note 7)):	
Wages and salaries	90

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	During the period from 25 September 2014 (date of incorporation) to 31 December 2014
	RMB'000
Fees	—
Other emoluments:	
Salaries, allowances and benefits in kind	25
Pension scheme contributions	2
	27

There was only one director, Mr. Li Xudong during the Relevant Period. He was also the chief executive of the Company.

8. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees within the Company during the Relevant Period is as follows:

	During the period from 25 September 2014 (date of incorporation) to 31 December 2014
	RMB'000
A Director	1
Non-Directors	4
	5

Details of Directors' remuneration are set out in note 7 above.

Details of the remuneration of the above non-Director and non-chief executive, highest paid employees are as follows:

	During the period from 25 September 2014 (date of incorporation) to 31 December 2014
	RMB'000
Salaries, allowances and benefits in kind	73
Pension scheme contributions	8
	81

The number of non-Director and non-chief executive, highest paid individuals whose remuneration fell within the following band is as follows:

	During the period from 25 September 2014 (date of incorporation) to 31 December 2014
	RMB'000
Nil to HK$1,000,000	4

9. INCOME TAX

The Company is registered in the PRC and only has operations in Mainland China. It's subject to PRC corporate income tax ("CIT") on the taxable income as reported in its PRC statutory accounts adjusted in accordance with relevant PRC income tax laws.

The applicable tax rate of the Company was 25%.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	During the period from 25 September 2014 (date of incorporation) to 31 December 2014
	RMB'000
Loss before tax	(668)
Tax at the statutory rate of 25%	(167)
Expenses not deductible for tax	1
Tax losses not recognised*	166
Tax charge at the effective rate of 0%	—

* As at 31 December 2014, the Company had tax losses of RMB664,000 arising in Mainland China that would expire in five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses arisen from the Company as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

10. INVENTORIES

	31 December 2014
	RMB'000
Merchandises	1,020

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2014
	RMB'000
Deposits and other receivables	33

The balance as at 31 December 2014 was a deposit for the office rental.

12. CASH AND BANK BALANCES

	31 December 2014
	RMB'000
Cash at banks	353
Cash and cash equivalents	353
Denominated in RMB	353

At the end of the Relevant Period, 100% of the cash and bank balances of the Company were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's prevailing rules and regulations over foreign exchange, the Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

13. OTHER PAYABLES AND ACCRUALS

	31 December 2014
	RMB'000
Advances from customers	1,070
Payroll and welfare payable	15
Withholding individual income tax	2
	1,087

The above balances were non-interest-bearing and repayable on demand.

14. PAID-IN CAPITAL

	31 December 2014
	RMB'000
Paid-in	1,000

15. ACCUMULATED LOSS

The amounts of the Company's accumulated loss and the movements therein for the Relevant Period are presented in the statements of changes in equity.

16. OPERATING LEASE ARRANGEMENTS

As lessee

The Company leases the office and cars under operating lease arrangements. Leases for the office and cars are negotiated for terms of one year.

At the end of 31 December 2014, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2014
	RMB'000
Within one year	187

17. RELATED PARTY TRANSACTIONS

(a) During the Relevant Period, related parties and their relationship with the Company are as follows:

Name of related party	Relationship
Shanghai Shanyuan Technology Co., Ltd. ("Shanghai Shanyuan")	Mr. Xu Fang and Ms. Gu Lingzhi are the equity interest holders of the entity with the percentages of 70% and 30% respectively
Shanghai Tongke Boyue Medical Devices Co., Ltd. ("Tongke Boyue").	Ms. Gu Lingzhi and Mr. Li Xudong are the members of key management personnel of the entity

(b) Transactions with related parties:

On 31 August 2014, the Company signed service agreements with Shanghai Shanyuan, the Company needs to pay RMB25,000 per month to Shanghai Shanyuan during the period from 1 September 2014 to 30 June 2015 for Mr. Xu Fang as the consultant to provide service for the Company's establishment and related expenses, with total amount limitation to RMB600,000.

On 20 September 2014, the Company signed another leasing contract with Shanghai Shanyuan. The Company rents two cars from Shanghai Shanyuan at monthly rental fee of RMB10,000 during the leasing period from 1 October 2014 to 30 September 2015.

On 10 December 2014, the Company signed contract with Tongke Boyue to purchase medical devices with amount of RMB1,020,000.

(c) Compensation of key management personnel of the Company:

The total compensation paid to key management personnel of the Company is amounting to RMB39,000 during the Relevant Period.

Further details of Directors' remuneration are included in note 7 to the Financial Information.

18. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

Loans and receivables

	31 December 2014
	RMB'000
Financial assets included in prepayments, deposits and other receivables	33
Cash and bank balances	353
	386

There was no financial liabilities as at 31 December 2014.

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, financial assets included in prepayments, deposits, and other receivables approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Company's finance team headed by the General Manger is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the year 2014, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash and bank balances. The main purpose of these financial instruments is to raise finance for the Company's operations.

It is, and has been throughout the Relevant Period under review, the Company's policy that no trading in financial instruments shall be undertaken.

The Company has no credit risk or liquidity risk of its financial instruments during the Relevant Period.

Capital management

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise equity interest holders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to equity interest holders, return capital to equity interest holders or issue new shares. The Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Period.

The Company monitors capital using a debt to assets ratio, which is debt divided by the total assets. Debt includes total current liabilities and total non-current liabilities.

As at 31 December 2014, the Company's strategy was to maintain the debt to assets ratio at a healthy level in order to support its businesses. The principal strategies adopted by the Company include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, adjusting investment plans and financing plans, if necessary, to ensure that the Company has a reasonable debt to assets ratio to support its business. The debt to assets ratio at 31 December 2014 is as follows:

	RMB'000
Total current liabilities	1,087
Total non-current liabilities	—
Debt	1,087
Total assets	1,419
Debt to assets ratio	77%

21. EVENTS AFTER THE RELEVANT PERIOD

Pursuant to the shareholders' resolutions passed on January 28, 2015, the shareholders of the Company agreed to increase the share capital from RMB1,000,000 to RMB10,000,000. Out of the amount for the capital increase, Ms. Gu Lingzhi contributed RMB2,750,000 as paid-in capital, Mr. Li Xudong contributed RMB250,000 as paid-in capital and Shanghai Haohai Biological Technology Co., Ltd. ("Haohai Biologicals") contributed RMB6,000,000 as paid-in capital. On 3 February 2015, the Company completed its registration with the Shanghai Administration for Industry and Commerce and became a 60% owned subsidiary of Haohai Biologicals. On 5 February 2015, Haohai Biologicals made a cash contribution of RMB6,000,000 to the Company.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 31 December 2014.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountant of our Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" of this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following table of our unaudited pro forma adjusted consolidated net tangible assets was prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on our net tangible assets as of December 31, 2014 as if it had taken place on that date. The table of unaudited pro forma adjusted consolidated net tangible assets of our Group have been prepared for illustrative purpose only and, because of their hypothetical nature, they may not give a true picture of our net tangible assets had the Global Offering been completed as of December 31, 2014 or at any future date.

The unaudited pro forma adjusted consolidated net tangible assets set out below are calculated based on our audited consolidated net assets attributable to owners of our Company as of December 31, 2014, as shown in the Accountants' Report, the text of which is included in Appendix I to this prospectus, and is adjusted as described below:

	Consolidated net tangible assets of our Group attributable to the owners of our Company as of December 31, 2014[1]	Estimated net proceeds from the Global Offering[2]	Pro forma net tangible assets of our Group attributable to the owners of our Company as of December 31, 2014[3]	Pro forma net tangible assets of our Group attributable to the owners of our Company per Share as of December 31, 2014[3][4][5]	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$48.50 per Offer Share	590,110	1,446,417	2,036,527	12.73	16.12
Based on an Offer Price of HK$59.00 per Offer Share	590,110	1,778,007	2,368,117	14.80	18.75

(1) The consolidated net tangible assets of our Group attributable to owners of our Company as of December 31, 2014, was determined as follow:

	RMB'000
Audited consolidated net assets of our Group as set out in Appendix I	594,160
Less: Other intangible assets as set out in Appendix I	4,050
Consolidated net tangible assets attributable to owners of our Company	590,110

(2) The estimated net proceeds from the Global Offering are based on 40,000,000 Offer Shares of an indicative Offer Prices of HK$48.50 (equivalent to RMB38.29) and HK$59.00 (equivalent to RMB46.58) per Offer Share, respectively (after deducting the underwriting fees and other related expenses), and takes no account of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates. For the purpose of the estimated net proceeds from the Global Offering, the amount stated in Hong Kong dollars has been converted into Renminbi at the rate of RMB0.7895 to HK$1. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(3) No adjustment has been made to the pro forma adjusted net tangible assets of our Group attributable to owners of our Company as of December 31, 2014 to reflect any trading result or other transaction of our Group entered into subsequent to December 31, 2014, including our cash distribution of RMB6,000,000 to Shanghai Baiyue Medical Equipment Co., Ltd. on February 5, 2015.

(4) The pro forma adjusted net tangible assets of our Group attributable to owners of our Company as of December 31, 2014 per Share is arrived at after the adjustments referred to in note 2 in the preceding paragraph and on the basis that 40,000,000 Shares were in issue assuming the Capitalization Issue and the Global Offering had been completed on December 31, 2014. It takes no account of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates.

(5) For the purpose of this pro forma adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at the rate of RMB0.7895 to HK$1. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

The following is the text of a report received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purposes of incorporation in this prospectus, in respect of the additional unaudited pro forma financial information of our Group.

B. INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central,
Hong Kong

20 April 2015

To the Directors of Shanghai Haohai Biological Technology Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Shanghai Haohai Biological Technology Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2014, and related notes as set out on pages II-1 of the prospectus issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in note 1-5 of Appendix II(A) to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 December 2014 as if the transaction had taken place at 31 December 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 31 December 2014, on which an accountant's report has been published.

Directors' responsibility 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" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's 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 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 accountant 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 AG7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 the prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction 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 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 accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the 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.

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 purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is a summary of certain PRC and Hong Kong tax consequences of the ownership of H Shares by an investor that purchases such H Shares in connection with the Global Offering and holds the H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investors, some of which may be subject to special rules. This summary is based on the tax laws of the PRC and Hong Kong in effect as of the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This section of this prospectus does not address any aspect of Hong Kong or PRC taxation other than income tax, capital tax, stamp duty and estate duty. Prospective investors are urged to consult their tax advisors regarding the PRC, Hong Kong and other tax consequences of investing and disposing the H Shares.

TAXATION IN THE PRC

The following is a discussion of certain PRC tax provisions relating to the ownership and disposal of H Shares purchased in connection with the Global Offering and held by the investors as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares and does not take into account the specific circumstances of any particular investor. This summary is based on the PRC tax laws in effect as of the Latest Practicable Date, as well as on the Arrangement between Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) signed on August 21, 2006 and the Second and the Third Protocol to Arrangement between Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排第二議定書》), (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排第三議定書》) signed on June 11, 2008 and May 27, 2010 (collectively, the "Arrangement "), all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This discussion does not address any aspects of PRC taxation other than tax on dividends, capital tax, stamp duty, estate duty, income tax, value-added tax and business tax. Prospective investors are urged to consult their tax advisors regarding PRC and other tax consequences of owning and disposing of H Shares.

TAX APPLICABLE TO JOINT STOCK LIMITED COMPANIES

Enterprise Income Tax

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) (the "EIT Law") and its implementation rules promulgated by the State Council on December 6, 2007, the tax rate for both domestic-funded enterprises and foreign-invested enterprises is 25%, and the high-technology enterprise receiving key support from the State enjoy a reduced EIT rate of 15%. High-technology enterprises are enterprises that have their own independent, kernel intellectual property rights and at the same time meet the following conditions:(1) The product (service) falls

within the scope of the High and New Technology Areas Entitled to the Key Support of the State;(2) The proportion of research and development expenses in the sales revenues is not lower than the prescribed proportion;(3) The proportion of the income from high and new technology products (services) in the total income of the enterprise is not lower than the prescribed proportion. (4) The proportion of technicians in the total number of staff members of the enterprise is not lower than the prescribed proportion; (5) Other conditions as stipulated in the measures for the determination of high and new technology enterprises. The high and new tech enterprise qualifications shall be valid for a period of three years as of the date of issuance of the certificate, and may be renewed at least three months prior to its expiration date upon a re-examination by the relevant authority.

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》), which was promulgated by the Stated Council on December 13, 1993 and subsequently amended on November 10, 2008 and its Implementation Rules (《中華人民共和國營業税暫行條例實施細則》) which was promulgated by the MOF and SAT in December 18, 2008 and subsequently amended on October 28, 2011, all of which became effective on January 1, 2009, unless stated otherwise, the tax payers providing taxable services the PRC are required to pay a business tax at a normal tax rate of 5% of their revenues.

Value-Added Tax

Pursuant to the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值税暫行條例》), which was promulgated by the State Council on December 13, 1993 and subsequently amended on November 10, 2008 and its implementation rules by the Ministry of Finance (the "MOF") on October 28, 2011, all of which became effective on January 1, 2009, unless stated otherwise, the tax rate for value-added tax payers who are selling or importing goods, and providing processing repairs and replaced services in the PRC shall be 17%. In addition, under the VAT pilot program that is rolled out national wide as of August 1, 2013, certain industry and VAT taxable services are subject to VAT at a rate ranging from 6%, 11% and 17%.

PRC LAWS AND REGULATIONS RELATING TO SHAREHOLDERS OF COMPANIES

(i) Dividend-related Tax

- ***Individual investors***

Pursuant to the Provisional Regulations Concerning Questions of Taxation on Enterprise Experimenting with the Share System (《中華人民共和國股份制試點企業有關税收問題的暫行規定》) and the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》) which was amended on December 29, 2007 and became effective on March 1, 2008 (the "Individual Income Tax Law"), dividends paid by PRC companies are generally subject to a PRC withholding tax levied at a rate of 20%. For a foreign individual who is not resident of the PRC, the receipt of dividends from a company in the PRC is subject to a withholding tax of 20% unless reduced by an applicable tax treaty or specially exempted by the tax authority of the State Council.

On June 28, 2011, the State Administration of Taxation of the People's Republic of China (the "SAT") issued a Notice of the PRC Sate Administration of Taxation Concerning the Collection and Management of Individual Income Tax after the Abolition of the Circular SAT No. [1993] 045 ([1993] 045)(《國家税務總局關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》) (the "Tax Notice"). Pursuant to the Tax Notice, dividends paid by a PRC non-foreign-funded company listed in Hong Kong to individual shareholders are subject to withholding tax according to the Individual Income Tax Law and its implementation rules, and such withholding tax may be reduced or exempted pursuant to an applicable double taxation treaty. Generally, because we are a company listed in Hong Kong, we will withhold at a tax rate of 10% of the dividends received by individuals without application. If an applicable tax treaty provides that the applicable tax rate is lower than 10%, a non-PRC resident individual holder may be entitled to claim a refund from PRC tax authorities. If an applicable tax treaty provides that the tax rate is between 10% and 20%, it is possible that we may be required to withhold at the applicable treaty rate. If no double taxation treaty is applicable, non-PRC resident individual holders of H Shares may be required to pay tax on the excess between the amount withheld by us and 20% of the amount of the pre-tax dividends.

- ***Enterprise Investors***

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends paid from a PRC company to a Hong Kong resident including a natural person and legal entity, but such tax shall not exceed 10% of the total sum of the dividends payable. If a Hong Kong resident holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the total sum of dividends payable by that PRC company.

Pursuant to the EIT Law and Regulation on the Implementation of the Enterprise Income Tax Law of PRC (《中華人民共和國企業所得税法實施條例》), a non-resident enterprise, which did not establish a representative office or other facilities in China or whose established representative office or facility in China has no actual connections with the dividends received, shall be subject to a 10% enterprise income tax on its revenues sourced in China. Such withholding tax may be reduced or eliminated pursuant to an applicable double taxation treaty.

Pursuant to the Notice of the State Administration of Taxation on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》) (Guo Shui Han [2008] No. 897) which was promulgated by the SAT and became effective on November 6, 2008, a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards, shall withhold enterprise income tax at a uniform rate of 10%. Pursuant to that notice, we intend to withhold tax at 10% from dividends payable to non-PRC resident enterprise holders of H Shares. Non-PRC enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval.

Tax Treaties

Investors who are not PRC residents but either reside in countries which have entered into double-taxation treaties with the PRC or reside in Hong Kong SAR or Macau SAR, may be entitled to a reduction of the withholding tax imposed on the dividends paid to such investors by a PRC company. The People's Public of China currently has signed double-taxation avoidance arrangements with Hong Kong SAR and Macau SAR respectively, and has double taxation avoidance treaties with a number of other countries, which include but not limited to Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, and the United States.

(ii) Taxation on Sales of Shares

- ***Individual Investors***

According to the Individual Tax Law and the Implementation Rules of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法實施條例》) as amended on February 18, 2008 and July 19, 2011, gains realized on the sale of equity interests shall be subject to individual income tax at a rate of 20%.

Pursuant to the Notice on Continuing the Income Tax-Free Policy on the Share Transfer of Individual Holders (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) jointly issued by the MOF and the SAT dated March 30, 1998, in respect of suspending the enforcement of the collection of the individual income tax on gains realized in connection with sales of shares of a listed company may be exempted from individual income tax. However, this circular does not explicit provide that such exemption is applicable to non-PRC resident individuals with respect to the sales of shares of a company that is listed outside of mainland China. To our knowledge, as of the Latest Practicable Date, in practice the PRC tax authorities had not sought to collect individual income tax on such gains. If such tax is collected in the future, such tax may be reduced or eliminated by an applicable double taxation treaty.

- ***Enterprise Investors***

Pursuant to the EIT Law and Regulation on the Implementation of the Enterprise Income Tax Law of PRC (《中華人民共和國企業所得税法實施條例》), a non-PRC resident enterprise, which did not establish a representative office or other facilities in China or whose established representative office or facility in China has no actual connections with the dividends received, shall be subject to a 10% enterprise income tax on its revenues sourced in China, including dividends and any gains on disposition of shares of a PRC company. There are uncertainties as to the interpretation and implementation of the EIT Law and its implementation rules by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, such tax may be reduced or eliminated pursuant to an applicable double taxation treaty.

- ***Taxation Policy of Shanghai — Hong Kong Stock Connect***

On October 31, 2014, the Ministry of Finance, the State Administration of Taxation and CSRC jointly issued the "Circular on the Relevant Taxation Policy regarding the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong" (hereinafter referred to as "Shanghai-Hong Kong Stock Connect Taxation Policy" which clarified the relevant taxation policy under Shanghai-Hong Kong Stock Connect.

Pursuant to the "Shanghai-Hong Kong Stock Connect Taxation Policy", personal income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect from 17 November 2014 to 16 November 2017. Business tax will be temporarily exempted in accordance with the current policy for spread income derived from dealing in stocks listed on the Hong Kong Stock Exchange by mainland individual investors through Shanghai-Hong Kong Stock Connect. For dividends obtained by mainland individual investors or mainland securities investment funds from investing in H stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, personal income tax is withheld by H-stock companies at the tax rate of 20%; for dividends obtained by mainland individual investors or mainland securities investment funds from investing in non-H stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, personal income tax is withheld by CSDCC at the tax rate of 20%. Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of CSDCC by producing the tax credit document.

Pursuant to the "Shanghai-Hong Kong Stock Connect Taxation Policy", enterprise income tax will be levied according to law on transfer spread income (included in total income) derived from investment by mainland corporate investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. Business tax will be levied or exempted in accordance with the current policy for spread income derived from dealing in stocks listed on the Stock Exchange by investors of mainland entities through Shanghai-Hong Kong Stock Connect. Enterprise income tax will be levied according to law on dividend income (included in total income) obtained by mainland corporate investors from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises which hold H stocks for at least 12 consecutive months. For dividend income obtained by mainland corporate investors, H-stock companies will not withhold dividend income tax for mainland corporate investors. The tax payable shall be declared and paid by the enterprises themselves. Mainland corporate investors, when declaring and paying enterprise income tax themselves, may apply for tax credit according to law in respect of dividend income tax which has been withheld and paid by non-H stock companies listed on the Hong Kong Stock Exchange.

Pursuant to the "Shanghai-Hong Kong Stock Connect Taxation Policy", mainland investors who transfer stocks listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect shall pay stamp duty in accordance with the current tax laws of Hong Kong. CSDCC and HKSCC may collect the abovementioned stamp duty on each other's behalf.

(iii) Estate Duty or Inheritance Tax

There is no estate duty or inheritance tax levied in PRC at present.

(iv) Stamp Duty

According to the terms of the Provisional Regulations of the People's Republic of China on Stamp Duty, the applicable stamp tax of the PRC on transfers of shares of PRC public companies shall not apply to purchases and dispositions of H-shares that take place outside the PRC. The Provisional Rules provide that PRC stamp tax shall be only levied on all the types of documents executed or received and legally bound within the territory of the PRC and protected under the PRC laws.

FOREIGN EXCHANGE

The principal regulations governing foreign currency exchange in China are the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) which were promulgated by the State Council on January 29, 1996 and last amended on August 5, 2008 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (Yin Fa [1996]No.210) (《結匯、售匯及付匯管理規定》(銀發[1996]210號)) promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996. Under these rules and other PRC rules and regulations on currency conversion, Renminbi is 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 direct investment, loan or offshore issuance or trading of securities or derivative products unless prior approval of SAFE or its local counterparts is obtained.

Pursuant to the Circular on Further Improving and Adjusting the Direct Investment Foreign Exchange Administration Policies ("Circular No. 59",《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) promulgated by SAFE on November 19, 2012 and became effective on December 17, 2012, approval is not required for the opening of an account entry in foreign exchange accounts under direct investment, for domestic transfer of the foreign exchange under direct investment.

On December 26, 2014, SAFE issued the Notice on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關于境外上市外匯管理有關問題的通知》), which came into effect on the day of issuance. The notice provides that:

- a domestic issuer shall, within 15 working days after the completion of the initial offering of shares for its overseas listing, register overseas listing with the Foreign Exchange Bureau at the place of its incorporation. After overseas listing, a domestic shareholder intending to increase or reduce his holding of overseas shares shall register his shareholding with the local Foreign Exchange Bureau at the place where he resides.
- a domestic issuer (other than banks) shall present his certificate of overseas listing to open a special account with a local bank for its overseas IPO (or refinancing) and repurchase. For the purpose of an overseas listing, a domestic holder of overseas shares of a domestic issuer may open a corresponding special account overseas.

The proceeds from an overseas listing may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents. The Decision of the State Council on Cancelling or Adjusting Approval items and other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》), which was promulgated and implemented by the State Council on October 23, 2014, cancels SAFE's administrative approval on the capital settlement of overseas listed onshore enterprises for their funds raised through overseas listing. So far, the SAFE has not promulgated specific rules.

This appendix contains a summary of laws and regulations on companies and securities in China, certain major differences between the PRC Company Law and the Company Ordinance as well as the additional regulatory provisions of the Hong Kong Stock Exchange on joint stock limited companies of China. The principal objective is to provide with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, please see the section entitled "Regulations".

PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) (the "Constitution") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomy regulations, rules and regulations of State Council departments, rules and regulations of local governments, international treaties of which the PRC Government is a signatory, and other regulatory documents. Court case verdicts do not constitute binding precedents. However, they may be used for the purposes of judicial reference and guidance.

According to the Constitution and the Law on Legislation of the PRC (《中華人民共和國立法法》), the National People's Congress ("**NPC**") and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries, commissions, PBOC, NAO of the State Council and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomy regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The significance of laws is greater than that of administrative regulations, local regulations and rules. The significance of administrative regulations is greater than that of local regulations and rules. The significance of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The significance of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its standing committee but which contravene the Constitution or the Legislation Law. The Standing Committee has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at the lower level.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加强法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law of Organization of the People's Courts (《中華人民共和國人民法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are organized into civil, criminal, administrative, supervision and enforcement divisions. The intermediate people's courts are organized into divisions similar to those of the primary people's courts, and are entitled to organize other divisions as needed such as the intellectual property division.

The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by the people's courts at all levels.

The people's courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local people's court to the people's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a judgment which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》), which was adopted in 1991 and amended in 2007 and 2012, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff 's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or non-compliance with social and public interest.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which is established in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in China:

- the Company Law of the People's Republic of China (the "PRC Company Law"), which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised as of December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013, respectively and the latest revision of which was implemented on March 1, 2014;
- the Special Regulations, which were promulgated by the State Council on August 4, 1994 pursuant to Articles 85 and 155 of the PRC Company Law, and were applicable to the overseas share subscription and listing of joint stock limited companies; and
- the Mandatory Provisions, which were jointly promulgated by the former Securities Committee of the State Council and the State Economic Restructuring Commission on August 27, 1994, and stated the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in Appendix V of this prospectus. Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to our Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal nominal value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than two hundred promoters, and at least half of the promoters must have residence within the PRC.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting. Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Provisional Regulations Concerning the Issuance and Trading of Shares (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the prospectus to ensure that the prospectus does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Registered Shares

Under the PRC Company Law, the promoters may make capital contributions in cash, in kind or by way of injection of assets, intellectual property rights, land use rights or other transferable non-cash property based on their appraised value. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall be in registered form.

Under the PRC Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities under the State Council, it shall publish a prospectus and financial accounts, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;

- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts; and
- it shall apply to the relevant Industry and Commerce Administration the registration of the reduction in registered capital.

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares to its employees as incentives; and (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies in a shareholders' general meeting.

The purchase of shares on the grounds set out in (i) to (iii) above shall require approval by way of a resolution passed by the shareholders' general meeting. Following the purchase of shares in accordance with the foregoing, such shares shall be canceled within ten days from the date of purchase in the case of (i) above and transferred or canceled within six months in the case of (ii) or (iv) above. Shares acquired in accordance with (iii) above shall not exceed 5% of the total number of the company's issued shares. Such acquisition shall be financed by funds appropriated from the company's profit after taxation, and the shares so acquired shall be transferred to the company's employees within one year.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a lawfully established securities exchange or in other manners stipulated by the State Council. No modifications of registration in the share register caused by transfer of shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, whereas there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company that their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, nor within six months after their resignation from their positions with the company.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to PRC Company Law, the company shall deliver its financial statements to all shareholders within the time limit stipulated in the articles of association and make its financial statements available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial statements.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions.

After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed by the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above nominal value and other incomes required by the finance authority of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

Our reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make good the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Accounting Firms

Pursuant to PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation. The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardships in its operation and management that cannot be resolved through other means, rendering ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court, requesting the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct a liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within ten days after its establishment, and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debt shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayment are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abuse of their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Overseas Listing

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. A company's plan to issue overseas listed and foreign invested shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issues within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

If a share certificate in registered form is lost, stolen or destroyed, the respective shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court for a declaration that such certificate will no longer be valid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

SECURITIES LAW AND REGULATIONS

The Securities Law took effect on July 1, 1999 and was revised for the first time as of August 28, 2004, for the second time on October 27, 2005 , for the third time on June 29, 2013, and for the fourth time on August 31, 2014. The Securities Law comprehensively regulates activities in the PRC securities market, regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law provides that a company must obtain prior approval from the State Council's securities regulatory authorities to list shares outside the PRC.

The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis.

Currently, the issue and trading of foreign issued shares (including H Shares) are still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

On April 10, 2014, CSRC and Hong Kong Securities and Futures Commission (hereinafter referred to as "HKSFC") issued the "Joint Announcement — Principles that Should be Followed when the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong is Expected to be Implemented" and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (hereinafter referred to as "Shanghai-Hong Kong Stock Connect") by the Shanghai Stock Exchange (hereinafter referred to as "SSE"), the Stock Exchange, China Securities Depository and Clearing Co., Ltd. (hereinafter referred to as "CSDCC") and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of mainland securities houses by mainland investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently

listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by HKSFC that mainland investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000.

On June 13, 2014, CSRC issued the "Certain Requirements on the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong" which came into effect on the same day. Shanghai-Hong Kong Stock Connect follows the existing laws and regulations for the settlement of transactions in both markets. The relevant transaction settlement activities follow the regulatory requirements and business rules of the place where transactions are settled. Listed companies follow the regulatory requirements and business rules of the places where they are listed. Securities houses or brokers follow the regulatory requirements and business rules of countries or regions in which they are located. Investors who deal in stocks through Shanghai-Hong Kong Stock Connect shall conduct settlement with securities houses or brokers in RMB. Stocks acquired by mainland investors through Southbound Trading Link shall be recorded in securities accounts maintained by CSDCC with HKSCC. CSDCC, after seeking opinions from mainland investors in advance through mainland securities houses, shall exercise its right against the stock issuer in its own name in accordance with the opinions of investors through HKSCC. The record of shareholding issued by CSDCC is the legal evidence of equity interest enjoyed by mainland investors. CSDCC is responsible for the stock and capital settlement of transactions closed through Southbound Trading Link.

On September 26, 2014, the SSE issued the "Pilot Measures of the Shanghai Stock Exchange for Shanghai-Hong Kong Connect" which came into effect on the same day. Since Southbound Trading Link implements a comprehensive designated trading system, the relevant requirements of the SSE regarding designated transactions are applicable. SSE may adjust the requirements of Southbound Trading Link such as trading method, order type, scope of business and trading restrictions based on market needs. The SSE and the Stock Exchange strengthen the regulation and management of transactions and relevant information disclosures under Shanghai-Hong Kong Stock Connect through cross-border cooperation in regulation. Information such as instant quotes of stocks in the Southbound Trading Link business is issued by the Stock Exchange. The Stock Exchange is responsible for regulating acts such as information disclosure of stocks under Southbound Trading Link, issuers of stocks under Southbound Trading Link and relevant information disclosure obligors, with the laws, administrative regulations, departmental rules, regulatory documents and stock exchange business rules of the place where stocks are listed applicable.

On November 14, 2014, CSRC issued the "Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link" which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

On 10 November, 2014, CSRC and HKSFC issued a "Joint Announcement", approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDCC and HKSCC. Pursuant to the "Joint Announcement", trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the "Arbitration Law") passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer and, in the case of the Listing Rules, also in contracts between the issuer and each of its directors and supervisors, to the effect that any disputes or claims arising (i) between holders of shares and the issuer; and (ii) between holders of shares and the issuer's directors, supervisors, manager or other senior management may be referred to arbitration for resolution. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (the "CIETAC") in accordance with its rules or the Hong Kong International Arbitration Centre (the "HKIAC") in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC. In accordance with the Arbitration Regulations of China International Economic and Trade Arbitration Commission (《中國國際經濟貿易仲裁委員會仲裁規則》) amended on February 3, 2012 and implemented on May 1, 2012, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, including disputes involving Hong Kong based on the agreement of the parties. The arbitration commission is established in Beijing and its branches and centers have been set up in Shenzhen, Shanghai, Tianjin and Chongqing.

Under the Arbitration Law and PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

On June 18, 1999, an arrangement was reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. The Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong SAR (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong, Hong Kong arbitration awards are also enforceable in China.

MATERIAL DIFFERENCES BETWEEN CERTAIN COMPANY LAW MATTERS IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and supplemented by common law. There are material differences between Hong Kong company law and the PRC law applicable to a joint stock limited company incorporated under the Company Law, to which our Company is and will be subject, particularly in the area of investor protection. Certain of the material differences between the Company Law and Hong Kong company law which is currently in force are summarized below. This summary, however, is not intended to be an exhaustive comparison. It should also be noted that the summary relates only to joint stock limited companies incorporated under the Company Law and that the summary and the information in it is current only as at the date of this prospectus.

Quorum

Under the Companies Ordinance, unless otherwise specified by our Articles of Association, the quorum for a general meeting is two members. The Company Law does not specify any quorum requirement for a general meeting, but the Special Regulations and the Mandatory Provisions provide that our general meeting may be convened when replies to the notice of that meeting have been received from Shareholders whose Shares represent 50% of the voting rights at least 20 days before the proposed date of the meeting. If that 50% level is not achieved, we must within five days notify our Shareholders by way of a public announcement and we may hold the general meeting thereafter.

Notice of Meeting

Under the Company Law, notice convening a general meeting of a joint stock limited liability company must be given not less than 20 days before the date of the meeting or, in the case of bearer shares, the notice must be given not less than 30 days before the date of the meeting. Under the Special Regulations and the Mandatory Provisions (to the extent they are applicable to our Company), 45 days' written notice must be given to all our Shareholders and Shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a Hong Kong limited company, the minimum period of notice for a general meeting, where convened for the purpose of considering ordinary resolutions, is 14 days and, where convened for the purpose of considering special resolutions, is 21 days. The minimum notice period for an annual general meeting is also 21 days.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the Company Law, the passing of any resolution requires more than one-half of the votes held by shareholders present in person or by proxy at a general meeting, except in cases of proposed amendments to the articles of association, an increase or a reduction of registered capital, merger, division, dissolution or alteration of form of the company, which require two-thirds of the votes held by shareholders present in person or by proxy at a general meeting.

Share capital

The authorized share capital of a joint stock limited liability company incorporated under the Company Law shall be the same as its issued share capital. For a Hong Kong company, the authorized share capital may be larger than the issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The Company Law does not recognize the concept of authorized share capital. Any increase in the registered capital must be approved by the shareholders at a general meeting and by the relevant PRC governmental and regulatory authorities (if applicable). Upon completion of the issuance of new shares duly approved, the company shall register the increased share capital with the relevant State Administration for Industry and Commerce.

Under the Company Law, capital contributions may be in the form of monetary or non-monetary assets (other than assets not permitted to be used as capital contributions under the relevant laws and regulations). For non-monetary assets to be used as capital contributions, valuations must be carried out to ensure no overvaluation or undervaluation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on shareholding and transfer of shares

Under the Special Regulations, except otherwise permitted under the Provisional Measures on Management of Investing in Overseas Securities by Qualified Domestic Institutional Investors《合格境內機構投資者境外證券投資管理試行辦法》, H shares shall only be held and traded by overseas investors. Hong Kong laws do not impose restrictions on individuals dealing in shares of Hong Kong companies on the basis of his residence or nationality.

Under the Company Law, shares in a joint stock limited liability company held by its promoters, directors and senior management cannot be transferred within certain periods. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of its shares on the stock exchange. There are no such restrictions under Hong Kong law although there are the six-month lock-up on our Company's issue of Shares and the 12-month lock-up on our Controlling Shareholder's disposal of Shares, as illustrated by the undertakings given by our Company to the Hong Kong Stock Exchange as described in "Underwriting" in this prospectus.

Variation of class rights

The Company Law makes no specific provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in our Articles of Association, which are summarized in Appendix V— "Summary of Articles of Association" in this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in company's articles of association relating to the variation of those rights, then in accordance with those provisions.

We (as required by the Hong Kong Listing Rules and the Mandatory Provisions) have adopted in our Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and overseas listed Shares are defined in our Articles of Association as different classes. The special procedures for voting by a class of Shareholders shall not apply in the following circumstances:

(i) where our Company issues, upon approval by a special resolution at a Shareholders' general meeting, Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and overseas listed Shares once every 12 months, either separately or concurrently, and the respective numbers of Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and overseas listed Shares proposed to be issued do not exceed 20% of the respective numbers of the issued Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and overseas listed Shares;

(ii) where our Company's plan to issue Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and overseas listed Shares at the time of incorporation is carried out within 15 months from the date of approval by the securities regulatory authorities of the State Council; and

(iii) where upon the approval from the securities authorities of the State Council, the Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange may be listed and traded in an overseas stock exchange.

Derivative action by minority shareholders

Hong Kong law permits minority shareholders to commence a derivative action on behalf of the company against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing the company from suing the directors in breach of their duties in its own name.

The Company Law gives our Shareholders the right to initiate proceedings in the people's courts in the PRC to restrain the implementation of any resolution passed by our Shareholders in a general meeting, or by the meeting convening procedures or ways of voting of the meetings of our Board of Directors, that violates any law, administrative rules or Articles of Association or company's articles of association, or if our Directors or senior management violate laws, administrative rules or Articles of Association when performing their duties and cause losses to our Company. The Mandatory Provisions also provide us with certain remedies against our Directors and senior management who breach their duties to us. In addition, as a condition to the listing of our Shares on the Hong Kong Stock Exchange and in accordance with our Articles of Association, each of our Directors is required to give an undertaking in favor of us acting as agent for each of our Shareholders. This allows minority Shareholders to act against our Directors in events of default.

Minority shareholder protection

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

Our Company, as required by the Mandatory Provisions, has adopted in our Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a Controlling Shareholder may not exercise its voting rights in a manner prejudicial to the interests of other Shareholders, may not relieve a Director or Supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a Director or Supervisor of our assets or the individual rights of other Shareholders.

Dividends

We shall withhold, and pay to the relevant tax authorities, the PRC tax on any dividends or other distributions payable to a Shareholder. Under Hong Kong law, the limitation period for debt recovery action (including the recovery of dividends) is six years while that under PRC law is two years.

Financial disclosure

A joint stock limited liability company is required under the Company Law to make available at its office for inspection by shareholders its financial reports 20 days before an annual general meeting. In addition, a company issuing share certificates to the public under the Company Law must publish its financial statements. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be tabled before the company at its annual general meeting, not less than 21 days before such meeting.

Under our Articles of Association (as required by the Hong Kong Listing Rules and the Mandatory Provisions), in addition to preparing accounts according to the PRC accounting standards, our Company may also have its accounts prepared and audited in accordance with the international accounting standards or Hong Kong accounting standards. Our Company is further required to publish our interim and annual accounts within 90 days from the end of the first six months of a financial year and within 120 days from the end of a financial year, respectively. The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The Company Law gives Shareholders the right to inspect our Articles of Association, minutes of the Shareholders' general meetings and financial and accounting reports. Under our Articles of Association, Shareholders have the right to inspect and copy (at reasonable charges) certain information on Shareholders and on Directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Corporate reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of being wound up voluntarily to another company pursuant to Section 237 of the Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 166 of the Companies Ordinance which requires the sanction of the court. Under the PRC law, the merger or demerger of a joint stock limited liability company has to be approved by voting by two-thirds of shareholders attending the general meeting in person or by proxy, and also has to be approved by the relevant government authorities (where applicable).

Remedies of our Company

Under the Company Law, if a Director, Supervisor or senior management contravenes any law or administrative regulation or our Articles of Association in the performance of his duties resulting in any loss to our Company, such Director, Supervisor or senior management shall be liable to our Company for the loss. In addition, in compliance with the Mandatory Provisions, our Articles of Association set out our remedies similar to those required by the Hong Kong law (including cancellation of the relevant contract and recovery of profits made by a director, supervisor or officer).

Arbitration of disputes

In Hong Kong, disputes between shareholders and a company or its directors, supervisors and other senior officers may be resolved through the courts. The Mandatory Provisions and our Articles of Association provide that disputes between a holder of overseas listed Shares and the Company and our Directors, Supervisors, managers or other senior management or a holder of Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange, arising from our Articles of Association, the Company Law or other relevant laws and administrative regulations which concern the affairs of the Company should, with certain exceptions, be referred to arbitration at either the China International Economic and Trade Arbitration Commission. Such arbitration is final and conclusive.

Financial assistance for acquisition of shares

The Company Law does not contain any provision prohibiting or restricting a joint stock limited liability company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. The Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under the Companies Ordinance.

Mandatory deductions

Under the Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after-tax profit to the statutory capital reserve fund. There are no such requirements under Hong Kong law.

HONG KONG LISTING RULES

The Hong Kong Listing Rules provide additional requirements which apply to an issuer incorporated in the PRC as a joint stock limited liability company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to our Company.

Compliance adviser

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance adviser acceptable to the Stock Exchange for the period from its listing date up to the date of sending of its annual report to the shareholders for the first full year's financial results, to provide the company with professional advice on continuous compliance with the Hong Kong Listing Rules and all other applicable laws, regulations, rules, codes and guidelines.

If the Hong Kong Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the company to terminate the compliance adviser's appointment and appoint a replacement.

Accountants' reports

An accountants' report of a PRC issuer will not normally be regarded as acceptable by the Hong Kong Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong. Such report will normally be required to conform to either Hong Kong or international standards on accounting or PRC accounting standards.

Process agent

A company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public shareholdings

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, the Hong Kong Listing Rules require that the aggregate amount of H shares and other securities held by the public must constitute not less than 25% of the PRC issuer's total issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK$50 million.

The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK$10 billion.

Independent non-executive directors and supervisors

Independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

Restrictions on purchase and subscription of own securities

Subject to governmental approvals and the provisions of our Articles of Association, we may repurchase our own H Shares on the Hong Kong Stock Exchange in accordance with the provisions of Hong Kong Listing Rules. Approvals by way of a special resolution of holders of Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and the holders of overseas listed Shares at separate class meetings conducted in accordance with our Articles of Association is required for Share repurchases. In seeking approvals, we are required to provide information on any proposed or actual purchases of any or all of our equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. We must also state the consequences of any purchases which will arise under either or both of the Takeovers Code and any similar PRC law of which our Directors are aware, if any. Any special approval or general mandate given to our Directors to repurchase H Shares must not exceed 10% of the total amount of existing issued H Shares.

Mandatory Provisions

With a view to increasing the level of protection afforded to investors, the Hong Kong Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Hong Kong Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the supervisory committee of the company. Such provisions have been incorporated into our Articles of Association, a summary of which is set out in Appendix V — "Summary of the Articles of Association" in this prospectus.

Redeemable shares

We must not issue any redeemable Shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of H Shares are adequately protected.

Pre-emptive rights

Except in the circumstances mentioned below, our Directors must obtain the approval by a special resolution of Shareholders in general meeting and the approvals by special resolutions of holders of Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and holders of overseas listed Shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with our Articles of Association prior to authorizing, allotting, issuing or granting Shares or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares or such convertible securities.

No such approval will be required under the Hong Kong Listing Rules, but only to the extent that, our existing Shareholders have by special resolution in general meeting given a mandate to our Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, Shares which represent not more than 20% of each of the existing issued Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and overseas listed Shares as at the date of the passing of the relevant special resolution or, not more than 20% of the relevant Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and overseas listed Shares intended to be issued at the time of our establishment, as such plan is implemented within 15 months from the date of approval by the CSRC.

Supervisors

We are required to adopt rules governing dealings by our Supervisors in securities of our Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Hong Kong Listing Rules) issued by the Hong Kong Stock Exchange. Our Company is required to obtain the approval of the Shareholders in a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to our Company or any of our subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of our Company or our subsidiaries: (i) the contract is for a duration that may exceed three years; or (ii) the contract expressly requires our Company to give more than one year's notice or to pay compensation or make other payments equivalent to more than one year's emoluments.

The remuneration and appraisal committee of our Company or an independent board committee must form a view in respect of service contracts that requires Shareholders' approval and advise Shareholders (other than Shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of our Company and the Shareholders as a whole and advise Shareholders on how to vote.

Amendment to our Articles of Association

We are required not to permit or cause any amendment to our Articles of Association which would cause them to cease to comply with the Company Law, the Mandatory Provisions or the Hong Kong Listing Rules.

Documents for inspection

We are required to make available at a place in Hong Kong for inspection by the public and our Shareholders free of charge, and for copying by Shareholders at reasonable charges, the following:

- a complete duplicate register of Shareholders;
- a report showing the state of the issued share capital of our Company;
- our latest audited financial statements and the reports of our Directors, auditors and Supervisors (if any) thereon;
- special resolutions of our Company;
- reports showing the number and nominal value of securities repurchased by our Company since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and overseas listed Shares);
- a copy of the latest annual return filed with the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) or other competent PRC authority; and
- for Shareholders only, copies of the minutes of meetings of Shareholders.

Receiving agents

Our Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

Statements in share certificates

We are required to ensure that all our listing documents and H Share certificates include the statement stipulated below and to instruct and cause our H Share Registrar not to register the subscription, purchase or transfer of any of our H Shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of those H Shares bearing statements to the following effect, that the holder of H Shares:

- agrees with us and each of our Shareholders, and we agree with each of our Shareholders, to observe and comply with the Company Law, the Special Regulations and our Articles of Association;

- agrees with us, each of our Shareholders, Directors, Supervisors, managers and other officers, and we, acting both for ourselves and for each of our Directors, Supervisors, managers and other officers, agree with each of our Shareholders to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;
- agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders thereof; and
- authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

Compliance with the Company Law, the Special Regulations and our Articles of Association

Our Company is required to observe and comply with the Company Law, the Special Regulations and our Articles of Association.

Contract between our Company and our Directors, officers and Supervisors

Our Company is required to enter into a contract in writing with each of our Director and officer containing at least the following provisions:

- that our Director or officer is required to observe and comply with the Company Law, the Special Regulations, our Articles of Association, the Takeovers Code and an agreement with our Company that remedies shall be provided in accordance with our Articles of Association and that neither their contract nor their office are capable of assignment;
- an undertaking by our Director or officer, acting as agent for each Shareholder, to our Company to observe and comply with his obligations to Shareholders as stipulated in our Articles of Association;
- an arbitration clause which provides that, whenever any differences or claims arise from any rights or obligations conferred or imposed by that contract, our Articles of Association, the Company Law or other relevant law and administrative regulations concerning the affairs of our Company between our Company and our Directors or officers and between a holder of H Shares and a Director or officer of our Company, such differences or claims will be referred to arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules, at the election of the claimant and that, once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitration body elected by the claimant. Such arbitration will be final and conclusive;
- if the party seeking arbitration elects to arbitrate the dispute or claim at the Hong Kong International Arbitration Centre, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of the Hong Kong International Arbitration Centre;

- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;
- the award of the arbitration body is final and shall be binding on the parties thereto;
- the agreement to arbitrate is made by our Director or officer with our Company on our own behalf and on behalf of each Shareholder; and
- any reference to arbitration shall be deemed to authorize the arbitral tribunal to conduct hearings in open session and to publish its award.

Our Company is also required to enter into a contract in writing with each of our Supervisor containing statements in substantially the same terms.

Subsequent listing

Our Company must not apply for the listing of any of the H Shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of foreign Shares are adequately protected.

English translation

All notices or other documents required under the Hong Kong Listing Rules to be sent by our Company to the Hong Kong Stock Exchange or to holders of the H Shares are required to be in the English language, or accompanied by a certified English translation.

General

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Hong Kong Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including our Company, subject to special conditions as the Hong Kong Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Hong Kong Listing Rules to impose additional requirements and make special conditions in respect of the H Share Listing.

Other legal and regulatory provisions

Upon the H Share Listing, the provisions of the SFO, the Takeovers Code and such other relevant ordinances and regulations as may be applicable to companies listed on the Hong Kong Stock Exchange will apply to our Company.

This Appendix contains a summary of the Articles of Association. The principal objective is to provide potential investors with an overview of the Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important to potential investors. As stated in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII, a copy of the Articles of Association is available for inspection.

The Articles of Association and relevant amendments thereto were adopted by our shareholders at share holders' general meetings in accordance with applicable laws and regulations, including the PRC Company Law, the Securities Law of the PRC, the Circular on Opinion concerning Supplementary Amendments to Articles of Association of Companies Listed in Hong Kong (《關於到香港上市公司對公司章程作補充修改的意見的函》), the Special Regulations, the Mandatory Provisions and the Listing Rules. The Articles of Association will become effective on the date that the H Shares are listed on the Hong Kong Stock Exchange.

DIRECTORS AND OTHER OFFICERS

Power to Allot and Issue Shares

There is no provision in the Articles of Association empowering the Directors to allot and issue Shares.

To increase the capital of the Company, the Board is responsible for formulating proposals for approval at a shareholders' general meeting by way of special resolution. Any such increase must be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations.

Power to Dispose of Fixed Assets

The Board is accountable to the shareholders' general meeting.

The Board shall not, without the prior approval or consent of shareholders' general meeting, dispose or agree to dispose of, any fixed assets of the Company where the anticipated value of the assets to be disposed of, together with the value of any fixed assets of the Company that has been disposed of in the period of four (4) months immediately preceding the proposed disposal, exceeds 33% of the value of the Company's fixed assets as shown in the last balance sheet recently considered at the shareholders' general meeting.

The validity of a disposition by the Company of fixed assets shall not be affected by the breach of the above paragraph.

For the purposes of the Articles of Association, a disposal of fixed asset includes an act involving the transfer of an interest in assets other than the provision of guarantee by way of fixed assets.

Compensation or Payments for Loss of Office

In the contract for emoluments entered into by the Company with a Director or Supervisor, in the event of a takeover of the Company, provisions shall be made for the right of the Director or Supervisor to receive, after obtaining the prior consent of shareholders in general meeting, compensation or other payments for loss of office or for his retirement from office. A takeover of the Company in the Articles of Association means:

(i) an offer made to all shareholders of the Company; or

(ii) an offer is made such that the offeror will become the Controlling Shareholder of the Company. (as defined under "RIGHTS OF THE MINORITIES IN RELATION TO FRAUD OR OPPRESSION" of this Appendix V.)

If the relevant Director or Supervisor does not comply with above provisions, any sum received by the Director or Supervisor on account of the payment shall belong to those persons who have sold their shares as a result of the offer, and the expenses incurred by the Director or Supervisor in distributing that sum pro rata among those persons shall be borne by him and not deducted from the sum distributed.

Loans to Directors, Supervisors and Other Officers

The Company shall not directly or indirectly make a loan to, or provide any security in connection with the making of a loan to a Director, Supervisor, our general manager or other members of senior management of the Company or of controlling shareholder or any of their respective Related Persons. However, the following transactions are not subject to such prohibition:

- The provision by the Company of a loan or a security of a loan to a company which is a subsidiary of the Company;
- The provision by the Company of a loan or a security in connection with the making of a loan or any other funds to any of its Directors, Supervisors, our general manager or other members of senior management for them to pay for expenditure incurred or to be incurred by him/her for the purposes of the Company or for the purpose of enabling him/her to perform his/her duties properly, in accordance with the terms of a service contract approved by the shareholders' general meeting; and
- The Company may make a loan to or provide a security in connection with the making of a loan to any of the relevant Directors, Supervisors, our general manager and other members of senior management or their respective Related Persons on normal commercial terms, provided that the ordinary course of business of the Company includes the lending of money or the provision of a security of a loan.

A loan made by the Company in breach of the above provisions shall be forthwith repayable by the recipient of the loan, regardless of the terms of the loan. A security provided by the Company in breach of the above provisions shall be unenforceable against the Company, unless:

1. the security was provided in connection with a loan to a Related Person of any of the Directors, Supervisors, our general manager and other members of senior management of the Company or of controlling shareholder and at the time the loan was advanced the lender did not know the relevant circumstances; or
2. the collateral provided by the Company has been lawfully sold by the lender to a bona fide purchaser.

For these purposes:

(a) the term "security" shall include an undertaking or property provided to secure the performance of obligations by the obligor; and

(b) the definition of Related Person as referred to in the sub-section headed "Duties" below applies, mutatis mutandis, to this sub-section.

Financial Assistance for the Acquisition of Shares in the Company or any of its Subsidiaries

Subject to the exceptions in the Articles of Association, the Company and its subsidiaries shall not, by any means at any time, provide any kind of financial assistance (as defined below) to a person who is acquiring or is proposing to acquire shares of the Company. The said acquirer of shares of the Company includes a person who directly or indirectly incurs any obligations (as defined below) due to the acquisition of the shares. The Company and its subsidiaries shall not, by any means at any time, provide financial assistance to the said acquirer as referred to above for the purpose of reducing or discharging the obligations assumed by that person.

Without prejudice to the Laws, regulations and normative documents, the following acts shall not be deemed to be prohibited:

- the provision of financial assistance by the Company where the financial assistance is given in good faith in the interest of the Company, and the main purpose of the financial assistance is not the acquisition of shares of the Company, or the financial assistance is an incidental part of an overall plan of the Company;
- the lawful distribution of the Company's assets by way of dividend in accordance with law;
- the allotment of bonus shares as dividends;
- a reduction of registered capital, a repurchase of shares of the Company or a reorganization of the shareholding structure of the Company effected in accordance with the Articles of Association;
- the providing of loan by the Company for its normal business activities within its business scope (provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits); and
- the provision of money by the Company for contributions to employee share scheme (provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits).

For these purposes:

(a) "financial assistance" includes (without limitation) the following meanings:

  (1) gift;

  (2) security (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), or compensation(other than compensation incurred by the Company's own default) or release or waiver of any rights;

  (3) provision of a loan or any other agreement under which the obligations of the Company are to be fulfilled before the obligations of another party, or a change in the parties to, or the assignment of rights under such loan or agreement; or

(4) any other form of financial assistance given by the Company when the Company is unable to pay its debts or has no net assets or when its net assets would thereby be reduced to a material extent.

(b) "incurring an obligation" includes the incurring of obligations by the changing of the obligor's financial position by way of contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or by any other means.

Disclosure of Interests in Contracts with the Company or any of its Subsidiaries

Where a Director, Supervisor, our general manager or other member of senior management of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, (other than his/her contract of service with the Company), he shall declare the nature and extent of his/her interests to the Board at the earliest opportunity, regardless whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board under normal circumstances.

Unless the interested Director, Supervisor, general manager or other member of senior management discloses his/her interests in accordance with the Articles of Association and the contract and transaction or arrangement is approved by the Board at a meeting in which the interested Director, Supervisor, general manager or other member of senior management is not counted in the quorum and refrained from voting, a contract, transaction or arrangement in which that Director, Supervisor, our general manager or other member of senior management is materially interested is voidable at the option of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the interested Director, Supervisor, our general manager or other member of senior management.

For these purposes, a Director, Supervisor, our general manager or other member of senior management of the Company is deemed to be interested in a contract, transaction or arrangement in which an Related Person with the meaning set out under the sub-section "Duties" below of his/hers is interested.

Where a Director, Supervisor, our general manager or other member of senior management of the Company gives to the Board a general notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements of any description, which may subsequently be made by our Company, such notice shall be deemed for the purposes of this subsection to be a sufficient declaration of his/her interests, so far as the content stated in such notice is concerned, provided that such general notice shall have been given before the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by our Company.

Remuneration

The Company shall, with the prior approval of shareholders in general meeting, enter into a contract in writing with each Director or Supervisor for remuneration in respect of their services. The said remuneration include:

(i) remuneration in respect of their services as Director, Supervisor or senior management of the Company;

(ii) remuneration in respect of their services as Director, Supervisor or senior management of any subsidiary of the Company;

(iii) remuneration otherwise in connection with services for the management of the Company or any subsidiary thereof; and

(iv) payments by way of compensation for loss of office, or in connection with their retirement from office.

Except under a contract entered into in relation to the above, no proceedings shall be brought by a Director or Supervisor against the Company for anything due to him in respect of the matters specified above.

Appointment, Removal and Retirement

The term of office of the chairman of the Board and the other Board members shall be three years. If the term of appointment of a Director expires and he is re-elected, the Director may be reappointed for consecutive terms.

Directors shall be elected and removed by the shareholders' general meeting. A written notice of the intention to propose a person for election as director and a notice in writing by that person indicating his/her acceptance of such election is required to be given to the Company after the issue of notice of the relevant shareholders' general meeting for such election and no less than 7 days prior to commencement of such meeting.

The Board shall consist of 5-19 Directors. The Board shall have one chairman and no vice-chairman. The chairman shall be elected and removed by a majority of all of the Directors. A Director is not required to hold shares of the Company.

A person may not serve as a Director, Supervisor, our general manager and any other member of senior management of the Company if any of the following circumstances apply:

- a person without or with restricted capacity of civil conduct;
- a person who has committed an offence of corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order and has been punished because of committing such offence; or who has been deprived of his/her political rights, in each case where no more than five (5) years has elapsed since the date of the completion of implementation of such punishment or deprivation;
- a person who is a former director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation because of mismanagement and he is personally liable for the insolvency of such company or enterprise, where no more than three (3) years has elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;
- a person who is a former legal representative of a company or enterprise which had its business license revoked due to a violation of the law and who incurred personal liability, where no more than three (3) years has elapsed since the date of the revocation of the business license;
- a person who has a relatively large amount of debts due and outstanding;
- a person who is being investigated by judicial authorities for criminal offense, and such investigation has not been concluded;

- a person who has been prohibited from holding a leadership position in any enterprise according to laws and administrative regulations;
- a person who has violated security regulations and committed fraud or dishonesty according to relevant authorities' rulings where no more than five (5) years have elapsed since the date of such rulings;
- a non-natural person; or
- such other circumstances prescribed by laws, administrative regulations and departmental rules of the place where the Company is listed.

There is no provision in the Articles of Association which imposes any age limit for Directors beyond which retirement as a Director is mandatory.

Borrowing Powers

Subject to compliance with applicable laws and administrative regulations of the PRC and Listing Rules, the Company has the power to raise and borrow money, which includes, without limitation, the issue of debentures and the charging or mortgaging of part or whole of the Company's properties. The Articles of Association do not contain any specific provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any specific provision in respect of the manner in which such powers may be varied, other than: (a) provisions which give the Directors the power to formulate proposals for the issue of bonds by the Company; and (b) provisions which provide that the issue of bonds must be approved by the shareholders' general meeting by way of a special resolution.

Duties

In addition to obligations imposed by laws, administrative regulations or required by the stock exchanges on which Shares are listed, each of the Company's Directors, Supervisors, our general manager and other members of senior management owes a duty to each shareholder, in the exercise of the functions and powers that the Company entrusted to him/her:

- not to cause the Company to exceed the scope of the business stipulated in its business license;
- to act honestly in the best interest of the Company;
- not to expropriate the Company's property, including (without limitation) usurpation of opportunities advantageous to the Company; and
- not to expropriate the individual rights of shareholders, including (without limitation) rights to distribution and voting rights, save pursuant to a restructuring of the Company approved by the shareholders' general meeting in accordance with the Articles of Association.

Each of the Company's Directors, Supervisors, our general manager and other members of senior management owes a duty, in the exercise of his/her powers and discharge of his/her duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Each of the Company's Directors, Supervisors, our general manager and other members of senior management shall exercise his/her powers or carry on his/her duties in accordance with the principle of fiduciary and shall not put himself/herself in a position where his/her duty and his/her interest may conflict. This principle includes (without limitation) discharging the following obligations:

- to act honestly in the best interests of the Company;
- to exercise powers within the scope of his/her powers and not to exceed those powers;

- to exercise the discretion vested in him/her personally and not to allow himself/herself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders' general meeting, not to delegate the exercise of his/her discretion to others;
- to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- except in accordance with the Articles of Association or with the informed consent of shareholders' general meeting, not to enter into any contract, transaction or arrangement with the Company;
- without the informed consent of shareholders' general meeting, not to use the Company's property for his/her own benefit;
- not to exploit his/her position to accept bribes or other illegal income or expropriate the Company's property by any means, including (without limitation) opportunities advantageous to the Company;
- without the informed consent of shareholders' general meeting, not to accept commissions in connection with the Company's transactions;
- to abide by the Articles of Association, faithfully execute his/her official duties and protect the Company's interests, and not to exploit his/her position and power in the Company to advance his/her own private interests;
- not to compete with the Company in any form without the informed consent of shareholders' general meeting;
- not to misappropriate the Company's funds or lend such funds to others, not to open accounts in his/her own name or other names for the deposit of the Company's assets and not to provide a security for debts of a shareholder of the Company or other individual(s) with the Company's assets; and
- unless otherwise permitted by informed shareholders' general meeting, not to disclose any confidential information acquired by him/her in the course of and during his/her tenure of office and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental authorities is permitted if: (i) disclosure is required by law; (ii) the interests of the public require disclosure; (iii) the interests of the relevant Director, Supervisor, our general manager or other member of senior management require disclosure.

Each Director, Supervisor, our general manager or other member of senior management of the Company shall not cause the following persons or institutions ("Related Persons") to do what he is prohibited from doing:

(1) the spouse or minor children of that Director, Supervisor, our general manager or other member of senior management;

(2) a trustee of that Director, Supervisor, our general manager or other member of senior management or any person referred to in the preceding paragraph;

(3) a partner of that Director, Supervisor, our general manager or other member of senior management or any person referred to in paragraphs (1) and (2) above;

(4) a company in which that Director, Supervisor, our general manager or other member of senior management, alone or jointly with one or more persons referred to in paragraphs (1), (2) and (3)above and other Directors, Supervisors, our general manager and other members of senior management have de facto control;

(5) the directors, supervisors, general manager and other members of senior management of the controlled company referred to in the preceding paragraph; and

(6) any person who may be deemed as an associate of that Director, Supervisor, general manager or other member of senior management in accordance with the Listing Rules.

The fiduciary duties of the Directors, Supervisors, our general manager and other members of senior management of the Company do not necessarily cease upon the termination of their tenure. The duty of confidence in relation to trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period on a fair basis depending on the time lapse between the termination and the act concerned and the circumstances and conditions under which the relationships between them and the Company are terminated.

In addition to any rights and remedies provided by the laws and administrative regulations, where a Director, Supervisor, general manager or other member of senior management of the Company is in breach of his/her duties to the Company, the Company has a right to:

- demand the Director, Supervisor, our general manager or other member of senior management to compensate for losses sustained by the Company as a result of his/her neglect of duties;
- rescind any contract or transaction entered into by the Company with the Director, Supervisor, our general manager or other member of senior management or with a third party (where such third party knows or should know that there is such a breach of duties by such Director, Supervisor, our general manager or other member of senior management);
- require the relevant Director, Supervisor, general manager or other member of senior management return the benefits received by him/her as a result of the breach of the obligations;
- recover any funds received by the Director, Supervisor, our general manager or other member of senior management that should have been received by the Company, including (without limitation) commissions; and
- require the relevant Director, Supervisor, the general manager or other members of the senior management to return the interest that is earned or may have been earned from the fund which should have been payable to the Company.

ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

The Company may amend its Articles of Association in accordance with the requirements of laws, administrative regulations and the Articles of Association.

Amendments to the Articles of Association involving the contents of the Mandatory Provisions shall become effective upon approvals by the companies approving department authorized by the State Council and the CSRC. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Apart from the holders of other class of shares, holders of Domestic Shares and holders of overseas listed foreign Shares of the Company are deemed to be different classes of shareholders.

Rights conferred on any class of shareholders in the capacity of shareholders ("class rights") may not be varied or abrogated unless approved by a special resolution of shareholders' general meeting and by holders of Shares of that class at a separate meeting conducted in accordance with the Articles of Association.

The following circumstances shall be deemed to be a variation or abrogation of the class rights of a class:

(1) to increase or reduce the number of shares of that class or the increase or reduce the number of shares of another class which carries the same or more voting rights, distribution right or other privileges with the exception that upon receiving the approval from securities regulatory authorities of the State Council, shareholders of the Company's domestic shares may transfer their shares to foreign investors for listing and dealing on overseas stock exchange;
(2) to effect a conversion of all or part of the Shares of such class into Shares of another class or to effect a conversion or create a right of conversion of all or part of the Shares of another class into the Shares of such class;
(3) to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to Shares of such class;
(4) to reduce or remove a dividend preference or a property distribution preference during liquidation of the Company, attached to Shares of such class;
(5) to add, remove or reduce conversion privileges, options, voting rights, transfer or pre-emptive rights, or rights to acquire securities of the Company attached to Shares of such class;
(6) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to Shares of such class;
(7) to create a new class of Shares having voting or distributing rights or other privileges equal or superior to those of the Shares of such class;
(8) to restrict the transfer or ownership of the Shares of such class or add to such restriction;
(9) to allot and issue rights to subscribe for, or convert into, shares in the Company of such class or another class;
(10) to increase the rights or privileges of Shares of another class;
(11) to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing liability to different extents of such proposed restructuring; and
(12) to vary or abrogate provisions of the Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (2) to (8), (11) and (12) above, but interested shareholder(s) (as defined below)shall not be entitled to vote at class meetings.

Resolutions of a class of shareholders shall be passed by votes representing more than two thirds of the voting rights represented at the relevant meeting who are entitled to vote at class meetings.

Written notice of a class meeting shall be given forty-five (45) days before the date of the class meeting to notify all of the shareholders in the share register of the class of the matters to be considered and the date and the place of the class meeting. A shareholder who intends to attend the class meeting shall deliver his/her written reply concerning attendance at the class meeting to the Company twenty (20) days before the date of the class meeting.

If the number of Shares carrying voting rights at the meeting represented by the shareholders who intend to attend the class meeting reaches more than half of the total number of voting Shares of that class at the class meeting, the Company may hold the class meeting; if not, the Company shall within five (5) days notify the shareholders of the class by public announcement, of the matters to be considered, the date and the place for the class meeting. The Company may then hold the class meeting after publication of such public announcement.

Notice of class meetings need only be served on shareholders entitled to vote thereat.

Meetings of any class of shareholders shall be conducted in a manner as similar as possible to that of shareholders' general meetings. The provisions of the Articles of Association relating to the manner of conducting any shareholders' general meeting shall apply to any meeting of a class of shareholders.

The special procedures for voting at a class of shareholders shall not apply in the following circumstances:

(1) where the Company issues domestic-invested Shares and overseas-listed foreign invested Shares, upon the approval by a special resolution of its shareholders' general meeting, either separately or concurrently once every twelve months, not exceeding 20% of each of its existing issued;

(2) where the Company's plan to issue domestic-invested Shares and overseas-listed foreign invested Shares at the time of its establishment is carried out within fifteen (15) months from the date of approval of the CSRC; or

(3) where upon the approval from the State Council securities regulatory authority and other approving authority (if applicable), the shareholders of the domestic-invested shares of the Company may cause such shares to be listed or traded on an overseas stock exchange.

For the purposes of the class rights provisions of the Articles of Association, the meaning of "interested shareholder(s)" is

(1) in the case of a repurchase of Shares by offers to all shareholders pro rata or public dealing on a stock exchange, a "controlling shareholder" within the meaning of the Articles of Association;

(2) in the case of a repurchase of Shares by an off-market contract, a holder of the Shares to which the proposed contract relates; and

(3) in the case of a restructuring of the Company, a shareholder within a class who bears less than a proportionate burden imposed on that class under the proposed restructuring or who has an interest in the proposed restructuring different from the interest of shareholders of that class.

RESOLUTIONS MAJORITY REQUIRED

Resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, votes representing more than half of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favor of the resolution in order for it to be passed.

To adopt a special resolution, votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favor of the resolution in order for it to be passed.

VOTING RIGHTS (GENERALLY, ON A POLL AND RIGHT TO DEMAND A POLL)

The ordinary shareholders of the Company have the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat. A shareholder (including proxy) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of shares carrying the right to vote and each share shall have one vote. A resolution put to the vote of the general meeting of the Company shall be decided on a poll, save that the chairman of the meeting, may in good faith, allow a resolution which relates purely to a procedural or administrative issue to be voted on by a show of hands, subject to the Listing Rules.

Unless a poll be so demanded, a declaration by the chairman that a resolution has on a show of hands been carried, and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution. The demand for a poll may be withdrawn by the person who makes such demand.

A poll demanded on the election of the chairman of the meeting, or on an issue of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other issue shall be taken at such time as the chairman of the meeting directs, and any business, other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll. The result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded.

On a poll taken at a meeting, a shareholder (including proxy) entitled to two or more votes does not need cast all his/her votes in the same way.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall have a casting vote.

REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

The Board shall convene an annual shareholders' general meeting once a year and within six (6) months from the end of the preceding financial year.

ACCOUNTS AND AUDIT

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and provisions of relevant departments of the State.

The Board shall place before the shareholders at every annual general meeting such financial reports as required by any laws, administrative regulations or directives promulgated by competent regional and central governmental authorities to be prepared by the Company.

The Company's financial reports shall be made available for shareholders' inspection at the Company twenty (20) days before the date of every shareholder's annual general meeting. Each shareholder shall be entitled to obtain a copy of the financial reports.

The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either International Financial Reporting Standards, or that of the overseas place where the Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in notes appended to the financial statements. When the Company is to distribute its after-tax profit, it is required to distribute dividends based on the lower of the Company's distributable after-tax profit determined under the two accounting standards.

Any interim results or financial information published or disclosed by the Company must also be prepared and presented in accordance with PRC accounting standards and regulations, and also in accordance with either International Financial Reporting Standards or that of the overseas place where the Company's shares are listed.

The Company shall publish its financial reports twice every fiscal year, that is, the interim financial report shall be published within 3 months after the expiration of the first six (6) months of each fiscal year and the annual financial report shall be published within 4 months after the expiration of each fiscal year.

NOTICE OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

The shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law. The Company shall not, without the prior approval of shareholders' general meeting, enter into any contract with any person other than a Director, Supervisor, our general manager or other member of senior management whereby the management and administration of the whole or any substantial part of the business of the Company is to be handed over to such person. Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two (2) months:

- when the number of Directors is less than the number of Directors required by the PRC Company Law or two-thirds of the number of Directors specified in the Articles of Association;
- when the unrecovered losses of the Company amount to one-third of the total amount of its share capital;
- when shareholder(s), individually or jointly holding 10% or more of the Company's issued and outstanding shares carrying voting rights request(s) the convening of an extraordinary general meeting;
- when deemed necessary by the Board or as requested by the Supervisory Committee; or
- the other circumstance as stipulated by laws, administrative regulations, departmental rules, securities regulations of the locality where the Company's shares are listed and the Articles of Association.

When the Company convenes a shareholders' general meeting, written notice of the meeting shall be given forty-five (45) days not including the date of issuance of the notice or the date of convening the meeting before the date of the meeting to notify all of the shareholders in the share register of the matters to be considered and the date and the place of the meeting. A shareholder who intends to attend the meeting shall deliver his/her written reply concerning the attendance of the meeting to the Company twenty (20) days not including the date of issuance of the notice or the date of convening the meeting before the date of the meeting.

Shareholders who hold either alone or in the aggregate 3% or more of voting shares may raise interim motions ten (10) days before the date of the meeting and submit them in writing to the convener. The convener shall issue a supplementary notice within 2 days from receipt of such motions to announce the content of interim motion and submit it to the shareholders' general meeting for examination.

A shareholders' extraordinary general meeting shall not decide on those matters not stated in the notice of meeting.

The Company shall, based on the written replies received twenty (20) days before the date of the shareholders' general meeting from the shareholders, calculate the number of voting shares represented by shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting reaches more than one half of the Company's total voting shares, the Company may hold the meeting. If not, then the Company shall within five (5) days notify the shareholders again by public announcement of the matters to be considered, the place and the date for the meeting. The Company may hold the meeting after the publication of such announcement.

A notice of meeting of shareholders shall be required to:

- be in writing;
- specify the place, the date and the time of the meeting;
- list out the share registration date of shareholders who are entitled to attend the meeting;
- state the matters and motions to be discussed at the meeting;
- provide such information and explanations as are necessary for the shareholders to exercise a sensible judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another, to repurchase shares, to reorganize the share capital or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;
- contain a disclosure of the nature and extent, if any, of the material interests of any Director, Supervisor, our general manager or other member of senior management in the transaction proposed and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of the shareholders of the same class;

- contain the full text of any special resolution proposed to be voted at the meeting;
- contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on behalf of him/her and that a proxy need not be a shareholder;
- specify the time and place for delivering proxy forms for the relevant meeting; and
- specify the name and phone number of the contact person for the meeting.

Notice of shareholders' general meeting shall be served on the shareholders (whether or not entitled to vote at the meeting), by personal delivery or prepaid mail to their addresses as shown in the register of shareholders. For the holders of Domestic Shares, notice of the meetings may be issued by way of public announcement.

The public notice referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities supervisory authority of the State Council within the interval between forty-five (45) days and fifty (50) days before the date of the meeting. After the publication of such notice, the holders of domestic invested Shares shall be deemed to have received the notice of the relevant shareholders' general meeting. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting and the resolution adopted thereat.

The following matters shall be resolved by an ordinary resolution at a shareholders' general meeting

- work reports of the Board and the Supervisory Committee;
- plans formulated by the Board for the distribution of profits and for making up losses;
- appointment and removal of the members of the Board and members of the Supervisory Committee, their remuneration and method of payment;
- annual financial budgets, statement of final accounts, balance sheets, profit and loss statements and other financial statements and annual report of the Company; and
- matters other than those required by the laws and administrative regulations or by the Articles of Association to be adopted by special resolution.

The following matters shall be resolved by a special resolution at a shareholders' general meeting:

- the increase or decrease of share capital;
- the buyback of the Shares, the issue of shares of any class, warrants and other similar securities;
- the division, merger, dissolution, liquidation of the Company;
- issuing bonds of the Company;
- amendments to the Articles of Association;
- Any asset purchase, disposals or guarantee provided within 1 year, with the transaction amount exceeding thirty percent (30%) of the Company's latest audited total assets;
- the stock incentive plan; and
- any other matters stipulated by law, administrative regulation, Listing Rules or Articles of Association, and matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and should be adopted by a special resolution.

TRANSFER OF SHARES

Shares of the Company held by the Promoter are not transferable within one (1) year commencing from the date of establishment of the Company. Shares of the Company that are already in issue prior to its public offering are not transferable within one (1) year commencing from the date on which the shares of the Company were listed and traded on a stock exchange.

The Directors, Supervisors and senior management of the Company shall report to the Company the number of shares held by them in the Company and the subsequent changes in their shareholdings. The number of shares which a Director, Supervisor or senior management may transfer every year during his/her term of office shall not exceed 25% of the total number of the Company's shares in his or her possession; and shares of the Company in his or her possession are not transferable within one (1) year commencing from the date on which the shares of the Company were listed and traded on a stock exchange. Such personnel shall not transfer the Company's shares in their possession within six (6) months after they have terminated their employment with the Company.

POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

In accordance with the provisions of the Articles of Association, the Company may reduce its registered share capital. The Company may, in accordance with the provisions set out in the Laws, administrative regulations, departmental rules and Article of Association:

- cancellation of shares for the reduction of its capital;
- merging with another company that holds shares in the Company;
- awarding shares to the Company's employees; or
- being requested to repurchase the shares of the Company by the shareholders who object to the resolution adopted at the shareholders' general meeting concerning merger and division of the Company.
- and other circumstances permitted by laws and administrative regulations;

The Company may, with the approval of the relevant competent authority of the state, repurchase its shares, conducting the repurchase in one of the following ways:

- making a pro rata general offer of repurchase to all of its shareholders;
- repurchase shares through public dealing on a stock exchange;
- repurchase by an agreement outside a stock exchange; or
- other circumstances permitted by laws and administrative regulations.

Where the Company repurchases its shares by an off-market agreement, the prior sanction of shareholders' general meeting shall be obtained in accordance with the Articles of Association. The Company may release, vary or waive its rights under a contract so entered into by the Company with the prior approval of shareholders' general meeting obtained in the same manner.

A contract to repurchase shares includes (without limitation) an agreement to become obliged to repurchase or an acquisition of the right to repurchase shares. The Company shall not assign the contracts to repurchase shares and its rights under such contracts.

Shares repurchased in accordance with law by the Company shall be cancelled within the period prescribed by laws and administrative regulations, and the Company shall apply to the original company registration authority for registration of the change of its registered shares capital. The amount of the Company's registered shares capital shall be reduced by the aggregate par value of those cancelled shares.

Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued Shares:

- where the Company repurchases Shares of the Company at par value, payment shall be made out of book surplus distributable profits of the Company or out of proceeds of a new issue of Shares made for that purpose;
- where the Company repurchases Shares of the Company at a premium to its par value, payment up to the par value shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of Shares made for that purpose;
- Payment of the portion in excess of the par value shall be effected as follows: (i) if the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company; or (ii) if the Shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a new issue of Shares made for that purpose, provided that the amount paid out of the proceed of the new issue shall not exceed the aggregate of premiums received by the Company on the issue of the Shares repurchased nor the current amount of the Company's share premium account (or the Company's capital reserve fund account) (including the premiums on the fresh issue);
- payment by the Company in consideration of the following shall be made out of the Company's distributable profits: (i) acquisition of rights to repurchase Shares of the Company; (ii) variation of any contract to repurchase Shares of the Company; and (iii) release of any of the Company's obligations under any contract to repurchase Shares of the Company; and
- after the Company's registered share capital has been reduced by the total par value of the cancelled Shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for payment of the par value portion of the Shares repurchased shall be transferred to the Company's share premium account (or the Company's capital reserve fund account).

POWER OF ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN THE COMPANY

There are no provisions in the Articles of Association preventing ownership of Shares in the Company by a subsidiary.

DIVIDENDS AND DISTRIBUTION METHODS

When the Company pays cash dividends and other funds to the holders of domestic Shares, payment shall be made in RMB. When the Company pays cash dividends and other funds to holders of H Shares, payment shall be denominated in RMB and paid in Hong Kong dollars. The foreign exchange required by the Company to pay cash dividends and other funds to holders of H Shares shall be handled in accordance with the related regulations of SAFE.

The dividend from any Share paid prior to a capital call is entitled to interest, but the holder of the Shares is not entitled to the dividend declared after the call.

The Company shall appoint, on behalf of holders of overseas listed foreign Shares, receiving agents to receive dividends and other payable funds that are distributed with respect to our overseas listed foreign Shares.

The receiving agents appointed by the Company shall comply with related provisions of the laws or the securities exchange where the Shares are listed.

PROXIES

Any shareholder entitled to attend and vote at a meeting of the Company shall be entitled to appoint one or more other persons (whether a shareholder or not) as his/her proxy to attend and vote on his/her behalf, and a proxy so appointed shall:

- have the same right as the shareholder to speak at the meeting;
- have authority to demand or join in demanding a poll; and
- have the right to vote by hand or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

The instrument appointing a proxy shall be in writing signed by the shareholder or signed by the shareholder's agent duly authorized in writing, or if the shareholder is a legal entity, either sealed by the shareholder or signed by a director or agent duly authorized. The instrument appointing a voting proxy and, if such instrument is signed by a person under a power of attorney or other authority on behalf of the appointer, a notary certified copy of that power of attorney or other authority, shall be deposited at the residence of the Company or at such other place as is specified for that purpose in the notice convening the meeting, not less than twenty-four (24) hours before the time for holding the meeting at which the proxy proposes to vote or the time appointed for the passing of the resolution.

If the appointer is a legal entity, its legal representative or such person as is authorized by resolution of its board of directors or other governing body to act as its representative may attend at any meeting of shareholders of the Company as a representative of the appointer.

Any form issued to a shareholder by the Board for use by him/her for appointing a proxy to attend and vote at a meeting of the Company shall be such as to enable the shareholder according to his/her intention, to instruct the proxy to vote in favor of or against each resolution dealing with matters to be voted at the meeting. Such a form shall contain a statement that in the absence of instructions by the shareholder the proxy may vote as he thinks fit.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointer or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that no notice in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which proxy is used.

CALLS ON SHARES AND FORFEITURE OF SHARES

There are no provisions in the Articles of Association relating to the making of calls on Shares or for the forfeiture of Shares.

RIGHTS OF SHAREHOLDERS (INCLUDING INSPECTION OF REGISTER)

The ordinary shareholders of the Company shall enjoy the following rights:

- the right to dividends and other distributions in proportion to the number of Shares held;
- the right to request, convene, chair, attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right of supervisory management over the Company's business operations, and the rights to present proposals or to raise enquires;
- the right to transfer, bestow or pledge shares in accordance with laws, administrative regulations and provisions of the Articles of Association;
- the right to obtain relevant information in accordance with the provisions of the Articles of Association, including: (i) the right to obtain a copy of the Articles of Association, subject to payment of the cost of such copy; (ii) the right to inspect and copy, subject to payment of a reasonable charge: (a) all parts of the register of shareholders; (b) personal particulars of each of our Directors, Supervisors, general manager and other members of senior management as follows:(1) present name and alias and any former name and alias; (2) principal address (residence); (3)nationality; (4) full-time and all other part-time occupations and positions; and (5) identification document and its number; (c) report on the state of the Company's share capital; (d) reports showing aggregate par value, quantity, maximum and minimum price paid in respect of each class of Shares repurchased by the Company since the end of the last accounting year and the aggregate amount incurred by the Company for this purpose; (e) minutes of shareholders' general meetings and resolutions of meetings of Board;
- the right to request our Company to purchase Shares of Shareholders objecting to a resolution adopted at the general Shareholders' meeting concerning the merger or separation of the Company;
- in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in accordance with the number of Shares held; and
- other rights conferred by laws, administrative regulations and the Articles of Association.

RIGHTS OF THE MINORITIES IN RELATION TO FRAUD OR OPPRESSION

In addition to obligations imposed by laws, administrative regulations or required by the stock exchange on which Shares of the Company are listed, a controlling shareholder shall not exercise his/her voting rights in respect of the following matters in a manner prejudicial to the interests of the shareholders generally or of some part of the shareholders of the Company:

- to relieve a Director or Supervisor of his/her duty to act honestly in the best interests of the Company;
- to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person), in any guise, of the Company's property, including (without limitation)opportunities beneficial to the Company; or

- to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person) of the individual rights or interests of other shareholders, including (without limitation) rights to distributions and voting rights save pursuant to a restructuring submitted to shareholders for approval and adopted by the shareholders' general meeting in accordance with the Articles of Association.

For these purposes, a "controlling shareholder" means a person who satisfies any one of the following conditions:

- he alone, or acting in concert with others, has the power to elect more than half of the Board of Directors;
- he alone, or acting in concert with others, has the power to exercise or to control the exercise of 30% or more of the voting rights in the Company;
- he alone, or acting in concert with others, holds 30% or more of the issued and outstanding shares of the Company; or
- he alone, or acting in concert with others, in any other manner has de facto control of the Company.

See also the section headed "— Variation of Rights of Existing Shares or Classes of Shares" above.

PROCEDURES ON LIQUIDATION

The Company shall be dissolved and liquidated upon the occurrence of any of the following events:

- a resolution for dissolution is passed by shareholders' general meeting; or
- dissolution is necessary due to a merger or division of the Company;
- being lawfully declared bankrupt due to the Company's failure in repaying debts due;
- the Company has been ordered to close down for violation of the laws or administrative regulations;
- if the Company gets into serious trouble in operations and management, and continual operation may incur material losses to the interests of the shareholders which cannot be resolved through other means, the shareholders holding more than 10% of the total voting rights of the Company may request the people's court to dissolve the Company.

Where the Board proposes to liquidate the Company due to causes other than the declaration of insolvency, the Board shall include a statement in its notice convening a shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay off its debts in full within twelve (12) months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders' general meeting for the liquidation of the Company, all functions and powers of the Board shall cease.

The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once a year to the shareholders' general meeting on the committee's income and expenditure, the business of the Company and the progress of the liquidation and to present a final report to the shareholders' general meeting on completion of the liquidation.

OTHER PROVISIONS MATERIAL TO THE COMPANY AND OUR SHAREHOLDERS

General Provisions

The Company is a joint stock limited company in perpetual existence.

The Articles of Association constitute a legally binding document regulating the Company's organization and activities, and the rights and obligations between the Company and each shareholder and among the shareholders inter se on the date on which they become effective.

The Company may invest in other enterprises, provided that it shall not be a shareholder bearing joint and several liabilities for the invested enterprises' debt unless the law provide otherwise.

The Company may, based on its requirements for operation and development and in accordance with the relevant provisions of the Articles of Association, approve an increase of capital.

The Company may increase its capital in the following ways:

- offering new shares to non-specialty-designated investors for subscription;
- placing new shares to its existing shareholders;
- distributing new shares to its existing shareholders by way of bonus issues; and
- any other way permitted by law and administrative regulations.

The Company's increase of capital by issuing new shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

Unless otherwise provided by law or administrative regulation, paid-up shares in the Company are freely transferable and are not subject to any lien.

When the Company reduces its registered share capital, it must draw up a balance sheet and an inventory of assets. The Company shall notify its creditors within ten (10) days of the date of the Company's resolution for reduction of share capital and shall publish notices in newspapers at least 3 times within thirty (30) days of the date of such resolution. A creditor has the right within thirty (30) days of receiving the notice from the Company or, in the case of a creditor who does not receive the notice, within forty-five (45) days of the date of the first public notice, to demand the Company to repay its debts or provide a corresponding security for such debt. The Company's registered capital after reduction shall not be less than the statutory minimum amount.

Shareholders are not liable to make any further contribution to the share capital other than as agreed by the subscriber of the relevant shares on subscription.

Board

The Board is responsible to the shareholders' general meeting and exercises the following powers:

(1) to be responsible for convening shareholders' general meetings and to report on its work to the share holders' general meeting;
(2) to implement the resolutions of the shareholders' general meetings;
(3) to decide on the Company's business plans and investment plans;

(4) to formulate the Company's annual financial budget and final accounts;
(5) to formulate the Company's profit distribution plan and loss recovery plan;
(6) to formulate proposals for the increases or decrease of the Company's registered capital and the issuance of corporate debentures or other securities of the Company and listing plans;
(7) to formulate the plans for substantial acquisition, acquisition of shares of the Company, merger, division, change of form or dissolution of the Company;
(8) to decide upon investments, asset transactions, pledges, trust financings, related transactions within the scope of the general meeting's authorization;
(9) to decide on the establishment of the Company's internal management structure;
(10) to appoint or remove the Company's general manager and the secretary of the board of directors and based on the recommendations of the general manager, to appoint or remove deputy general manager, chief financial officer and other members of senior management, and to decide on their remuneration, incentives and punishments matters;
(11) to formulate the Company's basic management system;
(12) to formulate proposals for any amendment to the Articles of Association;
(13) to manage the disclosure of company information;
(14) to propose the appointment or replacement of the accounting firm that performs audits for our Company;
(15) to attend to the work report of our general manager and review the work of the general manager;
(16) to review any major transactions, very significant disposals, very significant acquisitions and reverse takeovers of the Company which are required to be approved by shareholders at general meeting under the Listing Rules and submit to the shareholders for approval;
(17) to review any transactions which are required to be announced other than major transactions, very significant disposals, very significant acquisitions and reverse takeovers of the Company under the Listing Rules;
(18) to approve connected transactions which are not required to be announced or approved by shareholders at general meeting under the Listing Rules;
(19) to review connected transactions which are required to be approved by shareholders at general meeting under the Listing Rules; and
(20) to perform other duties authorized by laws, administrative regulations, department rules, the Listing Rules the shareholders' general meeting and the Articles of Association.

Except for the Board's resolutions in respect of the matters specified in the above paragraphs (6), (7)and (12), which shall be passed by more than two-thirds of the Directors, the Board resolutions in respect of all other matters may be passed by more than half of the Directors.

Meetings of the Board shall be held at least four times a year at approximately quarterly intervals and convened by the chairman of the Board. Notice of the meeting shall be served on all of the Directors fourteen (14) days before the date of the meeting. Where the Board considers necessary, or shareholders representing more than one-tenth of the voting rights, or the Supervisory Committee of the Company so proposes, an extraordinary meeting of the Board may be held.

Meetings of the Board shall be held only if more than one half of the Directors are present. Each Director shall have one vote. Where the number of votes cast for and against a resolution is equal, the chairman of the Board shall have a casting vote.

Supervisory Committee

The Company shall have a Supervisory Committee. The Directors, our general manager and other members of senior management, including but not limited to our Chief Financial Officer, shall not act concurrently as Supervisors. The Supervisory Committee shall be composed of 5 Supervisors. One of the members of the supervisory committee shall act as the chairman. The term of office of Supervisors shall be three years, renewable upon re-election and reappointment. The election or removal of the chairman of the Supervisory Committee shall be determined by two-thirds or more of the members of the Supervisory Committee. Decisions of the Supervisory Committee shall be made by the affirmative vote of two-thirds or more of the Supervisors.

The Supervisory Committee shall comprise an appropriate ratio of the staff representative of the Company, shareholder representative supervisor and external supervisors. Staff representative of the Company shall be no less than one-third (1/3) of the total number of members of the Supervisory Committee, and external supervisors shall be no less than half (1/2) and there shall be more than 2 independent supervisors. Supervisors, except staff supervisors, shall be appointed or dismissed by the shareholders' general meeting, while staff representatives shall be appointed at staff representative meetings, staff meetings or by other forms of democratic election by the staff of the Company.

The supervisory committee shall be accountable to the shareholders' general meeting and exercise the following powers in accordance with law:

- to examine the Company's financial situation;
- to supervise the performance by the Directors, general manager and other members of senior management of their duties, and propose to remove the aforesaid personnel for violation of the applicable laws, regulations, the Articles of Association or resolutions of shareholder's general meetings;
- to demand rectification from a Director, general manager and other members of senior management when the acts of such persons are harmful to the Company's interest if necessary;
- to verify the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the Board to the shareholders' general meetings and, should any queries arise, to engage, in the name of the Company, qualified accounting and auditing firms for a re-rectification on aforesaid information;
- to propose to convene an extraordinary shareholders' general meeting and to convene and preside over the shareholders' general meeting when the Board of the Company fails to perform the duties of convening and presiding over the shareholders' general meeting as stipulated in the PRC Company Law;
- to represent the Company in communication with Directors or institute proceedings against the Directors, general manager and other members of senior management in accordance with the Provisions of the PRC Company Law;
- to make proposals to the shareholders' general meeting;
- such other functions and powers conferred by the law, administrative regulations, departmental rules, relevant provisions of the securities regulatory authorities at the location where the Company's share are listed and these Articles of Association or the shareholders' general meeting.

Members of the Supervisory Committee may sit in meetings of the Board.

General Manager of the Company

The Company shall have one general manager, who shall be appointed and dismissed by the Board. Our general manager shall be accountable to the Board and exercise the following powers:

- to be in charge of the Company's operation and management and report to the Board;
- to organize the implementation of the resolutions of the Board, the Company's annual business plan and investment plan;
- to draft plans for the establishment of the internal organizational structure of the Company;
- to draft the Company's basic management system;
- to formulate basic rules and regulations for the Company;
- to propose the appointment or dismissal of our deputy general manager and Chief Financial Officer;
- to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;
- to exercise other powers conferred by the Articles of Association and the Board.

Our general manager shall sit in meetings of the Board. However, the general manager shall have no voting rights at the meetings unless he is also a director. Our general manager, in performing his/her functions and powers, shall act honestly and diligently and in accordance with laws, regulations and the Articles of Association.

Chairman of the Board

The chairman of the Board shall exercise the following powers:

- to preside over the shareholders' meeting, convene and preside over the meetings of the Board;
- to supervise and check on the implementation of the resolutions of the Board;
- to sign the shares, bonds and other marketable securities issued by the Company;
- to exercise other duties and powers conferred by the Board or authorized by laws, administrative regulations, department rules and Listing Rules.

If the chairman of the board of directors is unable or fails to perform his/her duties, he shall appoint a director to exercise such functions and powers on his behalf.

Secretary of the Board

The secretary of the Board shall be a natural person(s) who has the requisite professional knowledge and experience, and shall be appointed by the Board. The primary responsibilities include, without limitation:

- to ensure that the Company's documents and records are complete;
- to ensure the lawful preparation and submission by the Company of reports and documents as required by relevant authorities; and
- to ensure that the register of shareholders is properly maintained, and to ensure that persons who are entitled to obtain the Company's records and documents can timely obtain the relevant records and documents;

Untraceable members

Our Company has the right to sell the Shares of any untraceable shareholder of overseas listed foreign Shares in the manner considered to be appropriate by the Board of Directors under the circumstances indicated below:

(i) Dividends has been paid at least three times in respect of these Shares within 12 years, but no one has claimed the dividends during that period; and

(ii) Upon expiration of the 12-year period, our Company publishes an announcement in one or more newspapers of the region where our Company is listed, indicating our intention to sell the Shares and notifies the securities regulatory authority of the place in which these shares are listed of such intention.

Within one year after the date on which the Company declares the distribution of dividends, the Board of Directors has the right to utilize the dividends which no shareholder has claimed for investment or other purposes for the benefits of the Company. In compliance with relevant laws and regulations of the PRC, the company may exercise power to confiscate the dividends which nobody has claimed only after the expiry of the relevant limitation period.

Accounts and Audit

Appointment of auditors

The Company shall appoint independent auditors who are qualified under the relevant regulations of the PRC and the place where the Company's shares are listed to perform the tasks of auditing accounting statements, examining the interests of shareholders and other relevant consulting services.

The auditors appointed by the Company shall hold office from the conclusion of the annual general meeting of shareholders at which the appointment is made until the conclusion of the next annual meeting of shareholders.

Should a casual vacancy occurs in the office of the auditor, before the convening of the shareholders' general meeting, the Board may fill any casual vacancy in the office of the auditors, provided that if there is another auditor in office for the Company during the period of such vacancy, such auditor may act.

The shareholders' general meeting may, by ordinary resolution, remove an auditor before the expiration of its office, notwithstanding the stipulations in the contract between the Company and the auditor, but without prejudice to the auditor's right to claim, if any, for damages in respect of such removal.

The remuneration of an auditor or the manner in which such auditor is to be remunerated shall be determined by the shareholders' general meeting. The remuneration of an auditor appointed by the Board shall be determined by the Board.

Change and removal of auditor

The Company's appointment of, removal of and non-reappointment of an auditor shall be resolved by shareholders' general meetings and submitted to China Securities Regulatory Commission for record.

Where it is proposed that any resolution be passed at a shareholders' general meeting concerning the appointment of an auditor, which is not an incumbent firm, to fill a casual vacancy in the office of the auditor, reappointment of a retiring auditor which was appointed by the Board to fill a casual vacancy, or removal of the auditor before the expiration of its term of office, the following provisions shall apply:

- A copy of the proposal shall be sent to the auditor proposed to be appointed or proposing to leave its post or the auditor which has left its post (leaving includes leaving by removal, resignation and retirement) in the relevant fiscal year before notice of meeting is given to the shareholders.
- If the auditor leaving its post makes presentations in writing and requests the Company to notify such presentations to the shareholders, the Company shall (unless the presentations are received too late): (i) in any notice of the resolution given to shareholders, state the fact of the presentations having been made; and (ii) attach a copy of the presentations to the notice and deliver it to the shareholders in the manner stipulated in the Articles of Association.
- If the auditor's presentations are not sent in accordance with the preceding paragraph, the relevant auditor may require that the presentations be read out at the shareholders' general meeting and may lodge further complaints.
- An auditor which is leaving its post shall be entitled to attend: (i) the shareholders' general meeting at which its term of office would otherwise have expired; (ii) any shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal; and (iii) any shareholders' general meeting convened on its resignation; and to receive all notices of, and other communications relating to, any such meetings, and to speak at any such meeting in relation to matters concerning its role as the former auditor of the Company.

Resignation of auditor

Where the auditor resigns, it shall state to the shareholders' general meeting whether there has been any impropriety on the part of the Company.

Any auditor may resign by depositing at the Company's legal residence a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

(1) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or

(2) a statement of any such circumstances.

Where a notice is deposited under the preceding paragraph, the Company shall within fourteen (14) days after receiving of such notice send a copy of the notice to the relevant governing authority. If

the notice contains a statement under subparagraph (2) of the preceding paragraph, a copy of such statement shall be placed at the Company's registered office for shareholders' inspection. The Company shall also send a copy of such statement to each holder of overseas-listed foreign-invested shares by prepaid post and shall be sent to the addresses recorded in the register of shareholders.

Where the auditor's notice of resignation contains a statement of any circumstances which should be brought to the notice of the shareholders or creditors of the Company, the auditor may require the Board to convene a shareholders' extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

DISPUTE RESOLUTION

Whenever any disputes or claims arise between holders of the H Shares and the Company, holders of the H Shares and the Company's Directors, Supervisors, general manager or other members of senior management, or holders of the H Shares and holders of Domestic Shares, based on the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Center in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects arbitration at Hong Kong International Arbitration Center, any party to the dispute or claim may apply for conducting arbitration in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.

If any disputes or claims of rights as provided in section 180(1) of Articles of Association, the Laws of Peoples' Republic of China shall apply, save as otherwise provided in laws and administrative regulations.

Where a dispute or claim of rights is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration provided that such person is the Company or the Company's shareholder, Director, Supervisor, general manager or other member of senior management. Disputes in relation to the identification of shareholders and disputes in relation to the share register need not be referred to arbitration.

The award of an arbitration body shall be final and conclusive and binding on all parties.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

Our Company was converted from our predecessor, Haohai Limited (上海昊海生物科技有限公司), a PRC limited liability company, and was established as a joint stock limited company under the PRC laws on August 2, 2010. Our Company has established a place of business in Hong Kong at Suite 5501, 55th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 4, 2014. Mr. Chiu Ming King has been appointed as the authorized representative of our Company under the Companies Ordinance for the acceptance of service of process on behalf of our Company in Hong Kong.

As our Company was incorporated in the PRC, we are subject to the relevant laws and regulations of the PRC and our Articles of Association. A summary of the relevant aspects of PRC laws and regulations is set out in "Appendix IV — Summary of Principal Laws and Regulations" to this prospectus. A summary of our Articles of Association is set out in "Appendix V — Summary of the Articles of Association" to this prospectus.

B. Changes in the share capital of our Company

Our predecessor, Haohai Limited was established in the PRC as a limited liability company in January 24, 2007 with a registered capital of RMB20,000,000, which was fully paid up. Upon its establishment, Haohai Limited was owned as to 90% by Haohai Chemical and 10% by Mr. Jiang Wei.

On May 25, 2007, the share capital of Haohai Limited was increased by the amount of RMB52,421,300 from RMB20,000,000 to RMB72,421,300 pursuant to the First Capital Increase. Out of the amount for the First Capital Increase, Shanghai Huayuan contributed RMB32,421,300, Haohai Chemical contributed RMB18,000,000 and Mr. Jiang Wei contributed RMB2,000,000. After the First Capital Increase, Haohai Limited was owned as to 49.71% by Haohai Chemical, 44.77% by Shanghai Huayuan and 5.52% by Mr. Jiang Wei.

On December 16, 2008, the share capital of Haohai Limited was increased by RMB47,578,700 from RMB72,421,300 to RMB120,000,000 pursuant to the Second Capital Increase. Out of the RMB47,578,700, Haohai Chemical was to contribute RMB44,578,700 and Mr. Jiang Wei was to contribute RMB3,000,000. After the Second Capital Increase, Haohai Limited was owned as to 94.17% by Haohai Chemical and 5.83% by Mr. Jiang Wei.

At the time when Haohai Limited was converted into a joint stock limited company on August 2, 2010, we had an initial registered capital of RMB120,000,000, divided into 120,000,000 Domestic Shares with nominal value of RMB1.00 each, all of which were fully paid up and were held as follows:

Name of shareholder	Number of Domestic Shares held	Percentage of Shareholding
Jiang Wei	46,600,000	38.83%
You Jie	28,800,000	24.00%
Lou Guoliang	10,000,000	8.33%
Hou Yongtai	6,000,000	5.00%
Wu Jianying	6,000,000	5.00%
Ling Xihua	6,000,000	5.00%
Peng Jinhua	3,000,000	2.50%
Huang Ping	2,000,000	1.67%
Shen Rongyuan	2,000,000	1.67%
Tao Weidong	2,000,000	1.67%
Liu Yuanzhong	2,000,000	1.67%
Wang Wenbin	1,700,000	1.42%
Fan Jipeng	500,000	0.42%
Wu Ming	500,000	0.42%
Gan Renbao	500,000	0.42%
Chen Yiyi	400,000	0.33%
Zhao Meilan	400,000	0.33%
Shi Xiaoli	400,000	0.33%
Zhu Min	300,000	0.25%
Liu Jun	300,000	0.25%
Sun Xiaohuang	200,000	0.17%
Wu Yazhen	200,000	0.17%
Lu Rujuan	200,000	0.17%
Total	120,000,000	100.00%

As of the Latest Practicable Date, our Company had 120,000,000 Domestic Shares and a registered share capital of RMB120,000,000. Mr. Jiang Wei and Ms. You Jie, our Controlling Shareholders, were both interested in, directly or indirectly, 75,600,000 Domestic Shares.

Immediately upon completion of the Global Offering, the registered share capital of our Company will be RMB160,000,000, made up of 120,000,000 Domestic Shares and 40,000,000 H Shares, with nominal value of RMB1.00 each.

Save as disclosed in this Appendix, there has been no alteration in our registered share capital since our establishment.

C. Reorganization

Please refer to "History and Development — Our Corporate Development".

D. Further information about our subsidiaries

Our principal subsidiaries (for the purpose of the Listing Rules) as of the date of this prospectus are set out under the financial information in the Accountants' Report as included in Appendix I to this prospectus. The following sets out the changes in the share capital of our subsidiaries within the two years preceding the date of this prospectus.

1. Shanghai Qisheng

On October 14, 2014, the registered capital of Shanghai Qisheng was increased from RMB20,900,000 to RMB60,000,000, of which Haohai Biological made a cash contribution of RMB39,100,000 and the shareholding of Shanghai Qisheng, as a wholly owned subsidiary of our Company, remained unchanged.

2. Shanghai Jianhua

On October 10, 2014, the registered capital of Shanghai Jianhua was increased from RMB4,000,000 to RMB15,000,000, of which Haohai Biological made a cash contribution of RMB11,000,000 and the shareholding of Shanghai Jianhua, as a wholly owned subsidiary of our Company, remained unchanged.

3. Shanghai Likangrui

On October 14, 2014, the registered capital of Shanghai Likangrui was further increased from RMB15,000,000 to RMB50,000,000, of which Haohai Biological made a cash contribution of RMB35,000,000 and the shareholding of Shanghai Likangrui, as a wholly owned subsidiary of our Company, remained unchanged.

4. Shanghai Baiyue

On February 3, 2015, the registered capital of Shanghai Baiyue was increased from RMB1,000,000 to RMB10,000,000, of which the Company made a cash contribution of RMB6,000,000, and in the result Shanghai Baiyue became a non-wholly owned subsidiary of the Company and the Company held 60% of the equity interest in Shanghai Baiyue.

E. Repurchase of Our Own Securities

This section includes information relating to the repurchase by us of our own securities, including information required by the Stock Exchange to be included in this prospectus concerning the repurchase.

1. Relevant legal and regulatory requirements in Hong Kong and the PRC

The Listing Rules permit shareholders of a PRC joint stock limited company to grant a general mandate to the directors to repurchase shares of such company that are listed on the Stock Exchange. Such mandate is required to be given by way of a special resolution of shareholders in general meeting and of the holders of domestic shares and foreign shares at separate meetings.

Please refer to "Appendix IV — Summary of Principal Laws and Regulations — Repurchase of Shares", "Appendix IV — Summary of Principal Laws and Regulations — Restrictions on purchase and subscription of own securities" and "Appendix IV — Summary of the Articles of Association — Power of the Company to Purchase its Own Shares" and below for details.

(a) Shareholders' approval

All proposed repurchases of H Shares (subject to the condition that there will be minimum public float) by our Company must be approved in advance by special resolutions of the shareholders in general meeting and of the holders of H Shares and Domestic Shares at separate meetings of such holders either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the resolutions passed by the shareholders of our Company on April 6, 2015, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorizing any repurchase by our Company of H Shares of up to 10% of the total number of H Shares of our Company to be sold in the Global Offering (including the H Shares which may be issued under the Over-allotment Option), such mandate to expire at the conclusion of the next annual general meeting of the Company following the passing of the relevant special resolution(s), the date by which the next annual general meeting of our Company is required by applicable laws of the PRC and the Articles of Association to be held or when revoked or varied or renewed by special resolutions of our Company's shareholders in general meeting (the "Relevant Period").

(b) Trading restrictions

The total number of H Shares which a company is authorized to repurchase is H Shares representing up to a maximum of 10% of the total amount of existing issued H shares of the Company following completion of the Global Offering. A company may not issue or announce an issue of new shares for a period of 30 days immediately following a repurchase of securities (other than an issue of securities pursuant to an exercise of warrants, share options or other similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. The Listing Rules also prohibit a company from making repurchases of its own securities on the Stock Exchange if the repurchase would result in the number of the company's listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange, which is currently 25% in the case of the Company.

The Listing Rules further prohibit a company from purchasing its own shares 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 prevailing from time to time.

A company shall procure that any broker appointed by it to effect the purchase of its securities shall disclose to the Stock Exchange such information with respect to purchases made on behalf of the company as the Stock Exchange may request.

(c) Status of repurchased H Shares

The Listing Rules provide that the listing of all the H shares purchased by the Company shall be automatically cancelled upon purchase and the relevant share certificates shall be cancelled and destroyed as soon as reasonably practicable following settlement of any such purchase. Under PRC laws, the H Shares repurchased due to the decrease of registered capital of the Company will be cancelled, and the Company's registered capital will be reduced by an amount equivalent to the aggregate nominal value of the H Shares so cancelled.

(e) Suspension of repurchase

The Listing Rules require any securities repurchase programme to be suspended after a price sensitive development has occurred or the Directors have made any decision in respect of a price sensitive development until the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of either (i) the date of the board meeting for the approval of the company's annual or interim results; or (ii) the deadline for an announcement of the company's annual or interim results and ending on the date of the results announcement, the Company may not purchase its H Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(f) Procedural and reporting requirements

Our Company is required to apply to the relevant authorities for repurchase of shares due to the reduction of the registered capital of the Company, and such repurchase shall be approved by the Shareholders' meeting. The Company is required to cancel such repurchased H shares within 10 days following the repurchase and shall apply to the relevant authorities for change of registered capital.

Under the Listing Rules, repurchases of H Shares whether on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which the Company makes a repurchase of H Shares. In addition, the Company shall include in its annual report and accounts details regarding repurchases of H Shares made during the financial year under review, including the number of H Shares repurchased each month, the purchase price per Share or the highest and lowest price paid for all such purchases (where relevant) and the aggregate price paid for such repurchases.

2. Reasons for repurchases

The Company may, in accordance with the provisions set out in the applicable laws, administrative regulations, departmental rules and Article of Association, repurchase H shares in the following circumstances:

- cancellation of shares for the reduction of its capital;
- merging with another company that holds shares in the Company;
- awarding shares to the Company's employees;

- being requested to repurchase the shares of the Company by the shareholders who object to the resolution adopted at the shareholders' general meeting concerning merger and division of the Company; and
- other circumstances permitted by laws and administrative regulations.

3. Funding of repurchases

In repurchasing H Shares, the Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the PRC. Any repurchases by the Company may only be made out of either the funds of the Company that would otherwise be available for dividend or distribution or out of the proceeds of the new issue of shares made for such purpose.

The Directors consider that there would not be a material adverse impact on the working capital and on the gearing position of the Company in the event that the Repurchase Mandate is to be exercised in full at any time during the proposed repurchase period (as compared with the position disclosed in the latest published audited accounts contained in the Prospectus of the Company for the year ended December 31, 2014). However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances and in the opinion of the Directors, have a material adverse effect on the working capital requirements of the Company or on its gearing position. The number of H Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then prevailing, in the best interests of the Company.

4. General

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), have any present intention, to sell any H Shares to the Company or its subsidiaries.

The 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, and the applicable laws and regulations of the PRC.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase in the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made immediately after the listing of the Shares on the Stock Exchange. Save as aforesaid, the Directors are not aware of any other consequences which would arise under the Takeovers Code and/or any similar applicable law, as a result of any repurchases made pursuant to the Repurchase Mandate immediately after the listing of the Shares.

No core connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell any H Shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate if granted by the Shareholders.

F. Resolutions passed at our extraordinary general meeting on April 6, 2015

At our extraordinary general meeting held on April 6, 2015, among other things, the following resolutions were passed by the Shareholders:

(a) to approve the issue of up to 40,000,000 H Shares (without taking into account the H Shares which may be issued upon any exercise of the Over-allotment Option) or up to 46,000,000 H Shares in total (assuming the Over-allotment Option is fully exercised) of nominal value of RMB1.00 each and that such H Shares be listed on the Stock Exchange, and the issue price of the H Shares will be decided upon completion of the bookbuilding process for the Listing;

(b) subject to completion of the Global Offering, to approve and adopt the Articles of Association which shall become effective on the Listing Date;

(c) to authorize the Directors to approve, perform and execute all such acts, matters, deeds, documents and things as they consider to be necessary and appropriate in connection with the Listing;

(d) a mandate was given to the Directors to issue Domestic Shares and/or H Shares within a period of 12 months from the date of the resolution on April 6, 2015 provided that the number of Domestic Shares and/or H Shares to be issued shall not exceed 20% of the numbers of Domestic Shares and H Shares separately then in issue and all necessary approvals from the CSRC and/or other relevant PRC government authorities are obtained (if necessary); and

(e) a general and unconditional mandate was given to the Directors to repurchase up to 10% of the aggregate number of H Shares in issue following the completion of the Global Offering.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. SUMMARY OF MATERIAL CONTRACTS

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this prospectus which are or may be material:

(a) the equipment purchase agreement dated July 28, 2014 entered into between Shanghai Likangrui and Chengdu Yingde Bio-Medical Equipment Co. Ltd. (成都英德生物醫藥設備有限公司), pursuant to which Chengdu Yingde Bio-Medical Equipment Technology Co. Ltd. agreed to provide the first batch of processing systems for the first and third sections at a total consideration of RMB8,000,000;

(b) the letter of undertakings dated December 8, 2014 entered into between Mr. Jiang Wei, Ms. You Jie in favor of our Company pursuant to which Mr. Jiang and Ms. You agreed to indemnify the Group for losses suffered and all costs arising out of the Title Defects;

(c) the Deed of Non-competition;

(d) the letter of undertakings dated December 30, 2014 signed by our Controlling Shareholders pursuant to which they agreed to indemnify the Group for all economic loss or other expenses arising out of any disputes or claims with respect to social insurance premium and housing funds payments of the Group;

(e) the letter of undertakings dated March 16, 2015 entered into between Mr. Jiang Wei, Ms. You Jie in favor of our Company pursuant to which Mr. Jiang and Ms. You agreed to indemnify the Group for losses suffered and all costs (including costs relating to removal of buildings) arising out of the Title Defects;

(f) the cornerstone investment agreement dated April 13, 2015 and entered into between Dragon Billion China Master Fund, LMA SPC on behalf of Map 109 Segregated Portfolio, LMA SPC on behalf of Map 147 Segregated Portfolio, UBS AG Hong Kong Branch, UBS Securities Hong

Kong Limited and the Company, pursuant to which Dragon Billion China Master Fund, LMA SPC on behalf of Map 109 Segregated Portfolio and LMA SPC on behalf of Map 147 Segregated Portfolio have agreed to subscribe at the Offer Price such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) that may be purchased with US$21,000,000, US$1,000,000 and US$3,000,000;

(g) the cornerstone investment agreement dated April 14, 2015 and entered into between Prudence Investment Management (Hong Kong) Limited, UBS AG Hong Kong Branch, UBS Securities Hong Kong Limited, CMB International Capital Limited and the Company, pursuant to which Prudence Investment Management (Hong Kong) Limited has agreed to subscribe at the Offer Price such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) that may be purchased with US$30,000,000; and

(h) the Hong Kong Underwriting Agreement.

B. Our material intellectual property rights

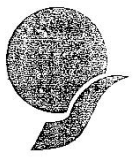
(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which, in the opinion of our Directors, are material to our business:

PRC

No.	Trademark	Owner	Effective Period	Place of Registration	Registration No.	Class
1		Company	2009.5.21 - 2019.5.20	PRC	1275293	5
2		Company	2010.12.28 - 2020.12.27	PRC	1496576	5
3	康合素	Company	2011.10.14 - 2021.10.13	PRC	8709864	5
4	康合素	Company	2011.10.14 - 2021.10.13	PRC	8710313	10
5		Company	2012.6.28 - 2022.6.27	PRC	9485117	10
6		Company	2012.8.7 - 2022.8.6	PRC	9485118	5

No.	Trademark	Owner	Effective Period	Place of Registration	Registration No.	Class
7	HYVISCO	Company	2013.5.28 - 2023.5.27	PRC	10686386	5
8	HYVISCO	Company	2013.7.7 - 2023.7.6	PRC	10686505	10
9	其胜 QISHENG	Shanghai Qisheng	2009.12.21 - 2019.12.20	PRC	1345296	5
10	SURVISC	Shanghai Qisheng	2010.8.21 - 2020.8.20	PRC	7378582	10
11	EYESUCOM	Shanghai Qisheng	2010.8.21 - 2020.8.20	PRC	7378595	10
12	适唯可	Shanghai Qisheng	2010.8.21 - 2020.8.20	PRC	7378604	10
13	适唯可	Shanghai Qisheng	2010.12.7 - 2020.12.6	PRC	7378622	5
14	SURVISC	Shanghai Qisheng	2010.10.7 - 2020.10.6	PRC	7378644	5
15	EYESUCOM	Shanghai Qisheng	2010.10.7 - 2020.10.6	PRC	7381723	5
16	奇特邦	Shanghai Qisheng	2010.12.14 - 2020.12.13	PRC	7733102	10
17	奇特杰	Shanghai Qisheng	2011.2.7 - 2021.2.6	PRC	8007185	5
18	奇特杰	Shanghai Qisheng	2011.4.7 - 2021.4.6	PRC	8007248	10
19	术唯可	Shanghai Qisheng	2011.2.7 - 2021.2.6	PRC	8007200	5
20	术唯可	Shanghai Qisheng	2011.4.7 - 2021.4.6	PRC	8007238	10

No.	Trademark	Owner	Effective Period	Place of Registration	Registration No.	Class
21	海薇	Shanghai Qisheng	2012.7.7 - 2022.7.6	PRC	9570469	5
22	海薇	Shanghai Qisheng	2012.7.7 - 2022.7.6	PRC	9570470	10
23	MATRIFILL	Shanghai Qisheng	2012.7.7 - 2022.7.6	PRC	9570471	10
24	CHITOGEL	Shanghai Qisheng	2012.7.7 - 2022.7.6	PRC	9570472	10
25	海魅	Shanghai Qisheng	2013.5.21 - 2023.5.20	PRC	10670556	5
26	海魅	Shanghai Qisheng	2013.5.21 - 2023.5.20	PRC	10670590	10
27	CHITOGEL	Shanghai Qisheng	2013.6.21 - 2023.6.20	PRC	10678391	10
28	JANLANE	Shanghai Qisheng	2013.6.7 - 2023.6.6	PRC	10686843	5
29	JANLANE	Shanghai Qisheng	2013.10.7 - 2023.10.6	PRC	10686911	10
30	简妍	Shanghai Qisheng	2013.6.7 - 2023.6.6	PRC	10686564	5
31	简妍	Shanghai Qisheng	2013.5.28 - 2023.5.27	PRC	10686745	10
32		Shanghai Qisheng	2007.1.14 - 2017.1.13	PRC	928144	1
33	视维可	Shanghai Qisheng	2014.1.7 - 2024.1.6	PRC	11323177	5

No.	Trademark	Owner	Effective Period	Place of Registration	Registration No.	Class
34	视维可	Shanghai Qisheng	2014.1.7 - 2024.1.6	PRC	11323970	10
35	其胜 QISHENG	Shanghai Qisheng	2005.2.21 - 2015.2.20*	PRC	3526400	5
36		Shanghai Jianhua	2005.3.14 - 2015.3.13*	PRC	734307	5
37	建华	Shanghai Jianhua	2012.11.14 - 2022.11.13	PRC	9947584	10
38		Shanghai Likangrui	2005.4.14 - 2015.4.13*	PRC	3541990	5
39	丰联	Shanghai Likangrui	2005.8.7 - 2015.8.6	PRC	3603582	5
40	SURVISC	Shanghai Qisheng	2011.11.24- 2021.11.24	Korea	1110631	5, 10
41	LTDC	Shanghai Qisheng	2014.7.28 - 2024.7.27	PRC	12142258	10
42	JANVISC	Shanghai Jianhua	2014.7.28 - 2024.7.27	PRC	12158681	5
43	JANVISC	Shanghai Jianhua	2014.7.28 - 2024.7.27	PRC	12158744	10

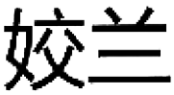
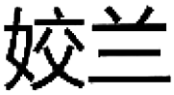
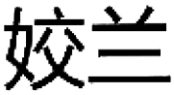
* The certificate has expired and is in the process of being renewed. The application for extension had been accepted by relevant PRC authority.

Hong Kong

No.	Trademark	Owner	Registration date	Expiry date	Place of registration	Registration No.	Class
1		Company	2014.11.21	2024.11.20	Hong Kong	303210407	3, 5, 10, 35, 42, 44

As of the Latest Practicable Date, we have applied for the registration of the following trademark which, in the opinion of our Directors, are material to our business:

No.	Trademark	Applicant	Date of Application	Place of Application	Application No.	Class
1	A-MED	Company	2013.9.24	PRC	13283495	5
2	A-MED	Company	2013.9.24	PRC	13283574	10
3		Company	2013.12.31	PRC	13838101	44
4		Company	2013.12.31	PRC	13837936	35
5	海薇	Shanghai Qisheng	2014.1.8	PRC	13875876	10
6	海薇	Shanghai Qisheng	2014.1.8	PRC	13875683	5
7	海薇	Shanghai Qisheng	2014.1.14	PRC	13914290	3
8	Matrifill	Shanghai Qisheng	2014.1.8	PRC	13876001	5
9	Matrifill	Shanghai Qisheng	2014.1.8	PRC	13876185	10
10	Matrifill 海薇	Shanghai Qisheng	2014.1.14	PRC	13914676	3
11	Matrifill 海薇	Shanghai Qisheng	2014.1.14	PRC	13914853	5
12	Matrifill 海薇	Shanghai Qisheng	2014.1.14	PRC	13914911	10

No.	Trademark	Applicant	Date of Application	Place of Application	Application No.	Class
13		Shanghai Qisheng	2014.1.14	PRC	13914554	5
14		Shanghai Qisheng	2014.1.14	PRC	13914597	10
15		Shanghai Qisheng	2014.1.14	PRC	13914372	3
16		Shanghai Qisheng	2014.3.21	PRC	14222745	10
17		Shanghai Qisheng	2014.3.20	PRC	14217827	5
18		Shanghai Qisheng	2014.3.20	PRC	14217760	3
19		Company	2014.11.21	Hong Kong	303210380	3, 5, 10, 35, 42, 44
20		Company	2014.11.21	Hong Kong	303210399	3, 5, 10, 35, 42, 44

(b) Patents

As of the Latest Practicable Date, we are the registered proprietor of the following patents which, in the opinion of our Directors, are material to our business:

No.	Patent	Patentees	Effective Period	Place of Registration	Patent No.	Class
1	Water-soluble medical chitosan formulations and preparation methods	Company Shanghai Qisheng Shanghai Jianhua Shanghai Likangrui	2000.02.01 - 2020.01.31	PRC	ZL00111646.0	Invention
2	Process for preparing medical collagen sponge	Company Shanghai Qisheng Shanghai Jianhua Shanghai Likangrui	2005.08.15 - 2025.08.14	PRC	ZL200510028759.1	Invention

No.	Patent	Patentees	Effective Period	Place of Registration	Patent No.	Class
3	Lavage liquor preparation for operation and its production process	Company Shanghai Qisheng Shanghai Jianhua	2006.03.01 - 2026.02.27	PRC	ZL200610024263.1	Invention
4	Sodium hyaluronate anti-adhesion film and its preparation method	Company Shanghai Qisheng Shanghai Jianhua	2003.04.18 - 2023.04.17	PRC	ZL03116474.9	Invention
5	All-in-one machine integrating automatic stirring, filling and vacuumizing	Company Shanghai Qisheng Shanghai Jianhua Shanghai Likangrui	2008.10.08 - 2018.10.07	PRC	ZL200820153791.1	Practical new technology
6	Anti-adhesion biofilm	Company Shanghai Qisheng Shanghai Jianhua	2004.12.23 - 2024.12.22	PRC	ZL200410093448.9	Invention
7	Stable liquid compound fibrillarin blocking agent and its preparation	Company Shanghai Qisheng Shanghai Jianhua Shanghai Likangrui	2005.06.28 - 2025.06.27	PRC	ZL200510027189.4	Invention
8	Biodegradeable hemostasis powder	Company Shanghai Qisheng Shanghai Jianhua	2006.02.28 - 2026.02.27	PRC	ZL200610024198.2	Invention
9	Escherichia expression system for secreting and expressing recombinant human epidermal growth factor	Company	2005.4.21 - 2025.4.20	PRC	ZL 200510025289.3	Invention
10	Composite for local anesthesia before ophthalmologic operation and its preparation method and use	Company	2009.10.14 - 2029.10.13	PRC	ZL200910197139.9	Invention

No.	Patent	Patentees	Effective Period	Place of Registration	Patent No.	Class
11	Preparation method for pipelined extraction of sodium hyaluronate through combs	Company Shanghai Jianhua	2010.1.22 - 2030.1.21	PRC	ZL201010023176.0	Invention
12	Mesoporous bioactive glass and composite porous chitosan hemostatic material and its preparation method	Shanghai Jianhua	2010.10.29 - 2030.10.28	PRC	ZL201010525865.1	Invention
13	Ophthalmic gel composition	Company	2010.3.3 - 2030.3.2	PRC	ZL201010116260.7	Invention
14	Method for preparing a degradable artificial lacrimal ductulus	Shanghai Qisheng Shanghai Jianhua	2007.11.30 - 2027.11.29	PRC	ZL 200710171445.6	Invention
15	Rotating and drying device for chitosan nerve conduits	Shanghai Qisheng	2010.8.31 - 2020.8.30	PRC	ZL201020513250.2	Practical new technology
16	Cross-linked hyaluronic acid gel preparation and the preparing technique	Shanghai Qisheng Shanghai Jianhua	2006.3.13 - 2026.3.12	PRC	ZL200610024700.X	Invention
17	Dialysis device of high-molecular solution or gel	Shanghai Qisheng	2012.11.19 - 2022.11.18	PRC	ZL201220612697.4	Practical new technology
18	Method for preparing temperature sensitivity chitosan derivate-hydroxybutyl chitosan	Shanghai Qisheng	2008.2.19 - 2028.2.18	PRC	ZL200810033699.6	Invention

No.	Patent	Patentees	Effective Period	Place of Registration	Patent No.	Class
19	Method for preparing medical hyaluronic acid gel preparation for sterilizing high-pressure steam	Shanghai Qisheng	2009.9.16 - 2029.9.15	PRC	ZL200910195724.5	Invention
20	Preparation method and application of degradable carboxymethyl chitosan composite nerve conduit	Shanghai Qisheng	2010.12.16 - 2030.12.15	PRC	ZL201010594628.0	Invention
21	Device for mixing carbon nano tube chitosan glycine solution	Shanghai Qisheng	2013.2.5 - 2023.2.4	PRC	ZL201320064499.3	Practical new technology
22	Spraying agent for treating skin and mucous membrane wounds	Company	2011.7.8 - 2031.7.7	PRC	ZL201110190137.4	Invention
23	Method for producing recombinant human epidermal growth factor by temperature induction	Company	2011.8.16 - 2031.8.15	PRC	ZL201110235048.7	Invention

As of the Latest Practicable Date, we had the following patent applications in the PRC which, in the opinion of our Directors, are material to our business:

No.	Patent	Applicant	Date of Application	Application No.	Class
1	Expression of uridine diphosphate-glucose dehydrogenase and measurement of enzymatic activity	Company	2012.10.31	201210427802.1	Invention
2	Method for preparing oligomeric hyaluronic acid from hyaluronic acid zymotic fluid	Company	2013.3.21	201310092904.7	Invention

No.	Patent	Applicant	Date of Application	Application No.	Class
3	Method for preparing controllable patterned electrospinning fiber aggregate	Company	2007.10.30	201210572551.6	Invention
4	Method for preparing controllable patterned electrospinning fiber aggregate	Company	2007.10.30	201210572555.4	Invention
5	Rapid method for preparing sodium hyaluronate from sodium hyaluronate zymotic fluid	Company	2013.1.21	201310021430.7	Invention
6	Chitosan nanometer fiber film for repairing endocranium or endorhachis, and its preparation method and use	Company	2013.7.3	201310176082.0	Invention
7	Method for preparing single collagen-1 sponge unit	Shanghai Qisheng	2013.1.10	201310009433.9	Invention
8	Temperature sensitivity chitosan derivate	Shanghai Qisheng	2013.1.10	201310009457.4	Invention
9	Method for preparing low-temperature secondary cross-linked sodium hyaluronate gel	Shanghai Qisheng	2013.3.6	201310071710.9	Invention
10	Method for preparing medical grade temperature sensitive chitosan blocking agent used for preventing leakage of cerebrospinal fluid	Shanghai Qisheng	2013.12.20	201110430139.6	Invention
11	Method for preparing agranular crosslinking sodium hyaluronate with high-temperature-resistant and enzymatic-hydrolysis-resistant characteristics	Shanghai Qisheng	2011.4.28	201110108104.0	Invention

No.	Patent	Applicant	Date of Application	Application No.	Class
12	Chitosan gold nanoparticles composite and its preparation method and use	Shanghai Jianhua	2013.12.31	201310750824.6	Invention
13	Composite for local anesthesia and its preparation method	Shanghai Jianhua	2013.7.16	201310297995.8	Invention
14	Method for synthesizing a hyaluronic acid derivative	Shanghai Jianhua	2013.12.19	201310699386.5	Invention
15	Pharmaceutical composition and its preparation method and use	Shanghai Jianhua	2013.12.13	201310686815.5	Invention
16	A composition for bladder lavage	Shanghai Jianhua	2013.12.31	201310753152.4	Invention
17	A compound gel for wound healing	Shanghai Jianhua	2010.5.25	201010181091.5	Invention
18	Method for preparing, and the use of, local anesthetic drug-containing medical cavitary speculum lubricating gel	Shanghai Jianhua	2011.8.16	201110235042.X	Invention

(c) Domain names

As at the Latest Practicable Date, we had registered the following internet domain names which are material to our business:

No.	Domain Name	Registrant	Effective Period
1	survisc.com	Shanghai Qisheng	2011.11.11 - 2015.11.11
2	Shqisheng.com	Shanghai Qisheng	2000.12.21 - 2017.12.21
3	haiwei.sh.cn	The Company	2011.6.29- 2021.6.29
4	matrifill.com	The Company	2011.6.3 - 2021.6.3
5	3healthcare.cn	The Company	2010.5.26 - 2015.5.26
6	3healthcare.com	The Company	2010.5.26 - 2015.5.26
7	jianhuash.com	Shanghai Jianhua	2014.2.18 - 2019.2.18
8	jianhuash.cn	Shanghai Jianhua	2014.2.18 - 2019.2.18

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Service Contracts

Each of our Directors has entered into a service contract with our Company before the Listing. The principal particulars of these service contracts are (a) for a term of three years commencing from the

Listing Date subject to provisions on retirement from office and eligibility for re-election by shareholders at general meetings; and (b) subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations.

Each of the Supervisors has entered into a service contract with our Company before the Listing in respect of, among others, compliance with relevant laws and regulations, observation of the Articles of Association and provision on arbitration.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

B. Remuneration of Directors and Supervisors

During the years ended December 31, 2012, 2013 and 2014, the aggregate amount of remuneration, including fees, salaries, discretionary bonus, defined contribution plans, housing and other allowances, and other benefits in kind, paid to our Directors and Supervisors (in their capacities as Directors and Supervisors) were RMB2,806,000, RMB3,093,000 and RMB3,630,000, respectively.

During the years ended December 31, 2012, 2013 and 2014, the aggregate amount of remuneration, including fees, salaries, discretionary bonus, defined contribution plans, housing and other allowances, and other benefits in kind, paid to the five highest paid individuals, were approximately RMB2,456,000, RMB2,741,000 and RMB2,901,000, respectively.

We have not paid any remuneration to our Directors and Supervisors or the five highest individuals as an inducement to join or upon joining us or as compensation for loss of office in respect of the years ended December 31, 2012, 2013 and 2014. Further, except for our independent non-executive Directors, each of our Directors and Supervisors has waived emoluments in acting as Directors or Supervisor (as the case may be) during the same period.

Except as disclosed above, no other payments have been made or are payable, in respect of the years ended December 31, 2012, 2013 and 2014, by our Company to any of the Directors or Supervisors (in their capacities as Directors and Supervisors).

Under the arrangements currently in force, we estimate the aggregate compensation, excluding discretionary bonus, of the Directors and Supervisors (in their capacities as Directors and Supervisors) payable for the year ending December 31, 2015 to be approximately RMB3,650,000.

Each of the Directors, Supervisors and members of the senior management is entitled to reimbursement for all reasonable expenses properly incurred in the performance of his or her duties.

4. DISCLOSURE OF INTERESTS

A. Disclosure of Interests of the Directors and Supervisors

Immediately after completion of the Global Offering, the interests or short positions of our Directors, Supervisors or the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

Name of Directors/ Supervisors	Nature and capacity in which interests are held	Number of Domestic Shares held	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering[1]	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering[2]
Directors				
You Jie[3]	Beneficial owner and interest of spouse	75,600,000	47.25%	63.00%
Hou Yongtai ...	Beneficial owner	6,000,000	3.75%	5.00%
Wu Jianying ...	Beneficial owner	6,000,000	3.75%	5.00%
Ling Xihua	Beneficial owner	6,000,000	3.75%	5.00%
Huang Ping ...	Beneficial owner	2,000,000	1.25%	1.67%
Gan Renbao ...	Beneficial owner	500,000	0.31%	0.42%
Chen Yiyi	Beneficial owner	400,000	0.25%	0.33%
Supervisors				
Liu Yuanzhong .	Beneficial owner	2,000,000	1.25%	1.67%

(1) The calculation is based on the total number of 160,000,000 Shares in issue immediately after completion of the Global Offering (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option).

(2) The calculation is based on the percentage of shareholding in Domestic Shares of the Company after the Global Offering.

(3) Ms. You Jie directly holds 28,800,000 Shares in our Company. She is the spouse of Mr. Jiang Wei and therefore she is deemed under the SFO to be interested in the 46,800,000 Shares held by Mr. Jiang Wei in our Company.

B. Substantial Shareholders

So far as the Directors are aware, immediately following the completion of the Global Offering at the mid-point of the Offer Price range, the following persons will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Nature and capacity in which interests are held	Number of shares held	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering (assuming no exercise of the Over-allotment Option)[1]	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering[2]	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering (assuming the Over-allotment Option is fully exercised)[3]	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering[2]
Jiang Wei[4] . .	Beneficial owner and interest of spouse	75,600,000	47.25%	63.00%	45.54%	63.00%
You Jie[5] . . .	Beneficial owner and interest of spouse	75,600,000	47.25%	63.00%	45.54%	63.00%
Lou Guoliang	Beneficial owner	10,000,000	6.25%	8.33%	6.02%	8.33%

(1) The calculation is based on the total number of 160,000,000 Shares in issue immediately after completion of the Global Offering (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option).

(2) The calculation is based on the percentage of shareholding in Domestic Shares of the Company after the Global Offering.

(3) The calculation is based on the total number of 166,000,000 Shares in issue immediately after completion of the Global Offering (including such amount of H Shares to be issued assuming the exercise of Over-allotment Option in full).

(4) Mr. Jiang Wei directly holds 46,800,000 Shares in our Company. He is the spouse of Ms. You Jie and therefore he is deemed under the SFO to be interested in the 28,800,000 Shares held by Ms. You Jie in our Company.

(5) Ms. You Jie directly holds 28,800,000 Shares in our Company. She is the spouse of Mr. Jiang Wei and therefore she is deemed under the SFO to be interested in the 46,800,000 Shares held by Mr. Jiang Wei in our Company.

C. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors, Supervisors or chief executive of our Company has any interests and short positions in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to us and the Stock Exchange, in each case once our H Shares are listed. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(b) in connection with the Underwriting Agreements, none of our Directors or Supervisors nor any of the parties listed in the paragraph headed "Qualification of experts" of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company, or are proposed to be acquired or disposed of by or leased to our Company;

(c) none of our Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once our H Shares are listed on the Stock Exchange; in connection with the Underwriting Agreements, none of our Directors or Supervisors nor any of the parties listed in paragraph headed "Qualification of experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(d) in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "Qualification of experts" of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities; and

(e) none of our Directors or their close associates or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty under the law and regulations of the PRC is likely to fall upon any member of our Group.

B. Personal Guarantees

The Directors and Supervisors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to us.

C. Litigation

Save as disclosed in the section headed "Business — Legal Proceedings" in this prospectus, as of the Latest Practicable Date, we are not involved in any material litigation, arbitration or administrative proceedings. So far as the Directors are aware of, no such material litigation, arbitration or administrative proceedings are pending or threatened against any member of our Group.

D. Sole Sponsor

The Sole Sponsor, namely, UBS Securities Hong Kong Limited, has declared its independence pursuant to Rule 3A.07 of the Listing Rules.

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our H shares to be issued under the Global Offering and any H shares which may be issued pursuant to the exercise of the Over-allotment Option on the Main Board of the Stock Exchange. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

Our Company agreed to pay the Sole Sponsor a fee of US$1 million to act as the sole sponsor to the Company in relation to the Global Offering.

E. Compliance Adviser

We have appointed Guotai Junan Capital Limited as our compliance adviser upon the Listing in compliance with Rule 3A.19 of the Listing Rules.

F. Preliminary Expenses

The estimated preliminary expenses incurred by our Company were approximately RMB108,514 and are payable by our Company.

G. Qualification of Experts

The qualifications of the experts who have given opinions in this prospectus are as follow:

Name	Qualification
UBS Securities Hong Kong Limited	Licensed to conduct Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
Ernst & Young	Certified public accountants
Grandall Law Firm (Shanghai)	Registered law firm in the PRC
China Food and Drug Administration Southern Medicine Economic Research Institute	Industry consultant

H. Consents of Experts

Each of the experts as referred to in the paragraph headed "Qualification of Experts" in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

Neither of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

I. Promoters

The promoters are the Original Shareholders. For more details of the promoters, please refer to "History and Development".

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities, amount or other benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

J. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if effected on the H Share register of members of our Company, including in the circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is HK$2.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold, purchased or transferred. For further information in relation to taxation, please see "Appendix III — Taxation and Foreign Exchange" to this prospectus.

K. No Material Adverse Change

The Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since December 31, 2014 (being the date to which our latest combined financial results were prepared, as set out in the Accountants' Report in Appendix I to this prospectus).

L. Binding Effect

This prospectus shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provision) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

M. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

N. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in "Appendix I — Accountant's Report — 17. Related Party Transactions."

O. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years preceding the date of this prospectus: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash, and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any Shares of our Company;

(b) no Share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder share, management shares or deferred shares;

(d) we have no outstanding convertible debt securities or debentures;

(e) there are no arrangements under which future dividends are waived or agreed to be waived;

(f) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(g) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought; and

(h) we currently do not intend to apply for the status of a Sino-foreign investment joint stock limited company and do not expect to be subject to the Sino-foreign Joint Venture Law of the PRC (《中華人民共和國中外合資經營企業法》).

Documents Delivered to the Registrar of Companies

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(i) copies of the **WHITE**, **YELLOW** and **GREEN** application forms;

(ii) copies of each of the material contracts referred to in Appendix VI to this prospectus; and

(iii) the written consents referred to in Appendix VI to this prospectus.

Documents Available for Inspection

Copies of the following documents will be available for inspection at the offices of O'Melveny & Myers at 31/F, AIA Central, 1 Connaught Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the accountant's reports prepared by Ernst & Young, the text of which is set out in Appendix I and Appendix IA to this prospectus;

(c) the audited consolidated financial statements of our Group for the years ended December 31, 2012, 2013 and 2014;

(d) the report in relation to the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(e) the industry reports published by China Food and Drug Administration Southern Medicine Economic Research Institute and referred to in the section headed "Industry Overview" in this prospectus;

(f) the material contracts referred to in the section entitled "Appendix VI—Statutory and General Information—Further Information about Our Business—Summary of Material Contracts" in this prospectus;

(g) the service contracts referred to in the section titled "Appendix VI — Statutory and General Information — 3. Further Information about our Directors and Supervisors" in this prospectus;

(h) the written consents referred to in the section entitled "Appendix VI— Statutory and General Information—5. Other Information—H. Consents of Experts" in this prospectus;

(i) the PRC legal opinion issued by Grandall Law Firm (Shanghai), the Legal Adviser to our Company on the PRC law, confirming that in its opinion, the summary of relevant PRC laws and principal regulatory provisions set out in Appendix IV to this prospectus is a correct summary of the relevant PRC laws and regulatory provisions; and

(j) the Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial translations.

上海昊海生物科技股份有限公司

Shanghai Haohai Biological Technology Co.,Ltd.