三生制药
3SBIO INC.

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1530

GLOBAL OFFERING

Joint Sponsors

中信証券國際 CITIC Securities International　Goldman Sachs　Morgan Stanley

Joint Global Coordinators

Morgan Stanley　Goldman Sachs　CITIC CLSA Securities　CICC 中金香港证券

Joint Bookrunners and Joint Lead Managers

Morgan Stanley　CITIC CLSA Securities　Goldman Sachs　CICC 中金香港证券　CMS 招商证券

IMPORTANT

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

3SBIO INC.
三生制药

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	606,100,000 Shares (including 484,880,000 New Shares and 121,220,000 Sale Shares subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	60,610,000 Shares (subject to reallocation)
Number of International Placing Shares	:	545,490,000 Shares (including 424,270,000 New Shares and 121,220,000 Sale Shares subject to reallocation and the Over-allotment Option)
Maximum Offer Price	:	HK$9.10 per Offer Share plus brokerage 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, subject to refund)
Nominal Value	:	US$0.00001
Stock Code	:	1530

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and the 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 howsoever 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 the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V 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.

Our Company is incorporated in the Cayman Islands and substantially all of our businesses are located in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the Cayman Islands, the PRC and Hong Kong and that there are different risk factors relating to the investment in our Company. Potential investors should also be aware that the regulatory frameworks in the Cayman Islands and the PRC are different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our Shares. Such differences and risk factors are set out in the sections headed "Risk Factors" and "Regulations" in this prospectus.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, June 4, 2015 and, in any event, not later than Monday, June 8, 2015. The Offer Price will be not more than HK$9.10 per Offer Share and is currently expected to be not less than HK$8.30 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed by Monday, June 8, 2015 between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Bookrunners (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Please refer to the section headed "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" in this prospectus.

June 1, 2015

EXPECTED TIMETABLE[1]

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in English in South China Morning Post and in Chinese in Hong Kong Economic Times.

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, June 4, 2015

Application lists of the Hong Kong Public Offering open[3] ..... 11:45 a.m. on Thursday, June 4, 2015

Latest time to lodge **WHITE** and **YELLOW** Application Forms ..... 12:00 noon on Thursday, June 4, 2015

Latest time to give **electronic application instructions** to HKSCC[4] ..... 12:00 noon on Thursday, June 4, 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, June 4, 2015

Application lists of the Hong Kong Public Offering close ..... 12:00 noon on Thursday, June 4, 2015

Expected Price Determination Date[5] ..... Thursday, June 4, 2015

(1) Announcement of:

- the Offer Price;
- an indication of the level of interest in the International Placing;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.3sbio.com** on or before[6] ..... Wednesday, June 10, 2015

(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.3sbio.com** (see paragraph headed "11. Publication of Results" in the section headed "How to Apply for Hong Kong Offer Shares") from ..... Wednesday, June 10, 2015

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk**[7] and our Company's website at **www.3sbio.com**[8] from ..... Wednesday, June 10, 2015

Results of allocations for the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function ..... Wednesday, June 10, 2015

Dispatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[6] ..... Wednesday, June 10, 2015

Dispatch of White Form e-Refund payment instructions/refund cheques on or before[9] ..... Wednesday, June 10, 2015

Dealings in Shares on the Stock Exchange to commence on ..... Thursday, June 11, 2015

Notes:

(1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.

(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 a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Thursday, June 4, 2015, the application lists will not open on that day. Please refer to the section headed "How to Apply for Hong Kong Offer Shares—10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares—6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or around Thursday, June 4, 2015 and, in any event, not later than Monday, June 8, 2015, or such other date as agreed between parties. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Monday, June 8, 2015, or such other date as agreed between parties, the Global Offering will not proceed and will lapse.

(6) **Share certificates are expected to be issued on Wednesday, June 10, 2015 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Thursday, June 11, 2015. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely of their own risk.**

(7) The announcement will be available for viewing on the "Main Board—Allotment of Results" page on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.3sbio.com**.

(8) None of the websites or any of the information contained on the website forms part of this prospectus.

(9) **e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.**

The above expected timetable is a summary only. You should read carefully the sections headed "Underwriting," "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and Share certificates.

CONTENTS

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, 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 public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or 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. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. 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 contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus 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 the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this prospectus.

OVERVIEW

We are a leading biotechnology company in China. According to Frost and Sullivan, we ranked first among PRC companies in terms of sales from mammalian cell-based biopharmaceuticals and ranked second among PRC companies in terms of sales from all biopharmaceuticals in 2013. As a pioneer in the PRC biotechnology industry, we have extensive expertise in developing, manufacturing and marketing biopharmaceuticals. Our two core products, TPIAO and EPIAO, are market leaders in China. TPIAO, our proprietary product, is the only commercialized rhTPO product in the world. EPIAO leads the PRC rhEPO market with a market share of 43.6% by sales in 2013, more than the combined market shares of the next six largest competitors. We have recently acquired Sciprogen, a company with an rhEPO product, SEPO. We believe that the addition of SEPO to our product portfolio will increase our penetration into Grade II and Grade I hospitals, where rhEPO sales have been experiencing significant growth. In addition, we have eight other products in nephrology, oncology and other therapeutic areas.

We have a robust pipeline of 20 product candidates, of which 14 are being developed as National Class I New Drugs (國家一類新藥) in China. We have eight product candidates in nephrology, including three next-generation erythropoeisis-stimulating agents. We have six product candidates in oncology, including three mAb therapeutics. We also have several product candidates that target auto-immune diseases with unmet treatment needs such as rheumatoid arthritis and refractory gout.

We operate in a highly attractive industry. Biotechnology has revolutionized the pharmaceutical industry by addressing unmet medical needs and offering innovative treatments for a wide array of human diseases. In China, the biotechnology industry enjoys strong government support and has been selected by the State Council as a key strategic industry. Strong government support along with increasing physician adoption of biopharmaceuticals has driven strong industry growth in China. The PRC biopharmaceutical market reached RMB27.0 billion in 2013, representing a CAGR of 25.2% from 2009 to 2013, outpacing the growth of the overall PRC pharmaceutical industry, according to IMS.

We are well positioned to expand our global presence. We expect to start Phase I clinical trials in the United States for TPIAO in the near future. We are conducting multi-center biosimilar clinical trials for EPIAO in Russia and Thailand. In the long term, we aim to market our rhEPO products in developed countries by development and registration through the biosimilar pathway. Furthermore, we are collaborating with international partners to develop and market our product candidates, such as pegsiticase and several mAb therapeutics. We aim to continue to focus our research and development efforts on providing innovative therapeutics for patients in China and globally.

Our Products

We primarily focus on two large and fast growing therapeutic areas: nephrology and oncology. TPIAO and EPIAO are used in the oncology area to treat chemotherapy-induced thrombocytopenia ("**CIT**") and chemotherapy-induced anemia ("**CIA**"), respectively. EPIAO is primarily used in the nephrology area to treat anemia associated with chronic kidney disease ("**CKD**"). Additionally, we have several other products and a number of product candidates in these two therapeutic areas.

Our core products, TPIAO and EPIAO, are market leaders in China and have significant growth potential:

- TPIAO is our proprietary product and a National Class I New Drug in China, and has been the only commercialized rhTPO product in the world since its launch in 2006. TPIAO has been approved by the CFDA for two indications: the treatment of CIT and immune thrombocytopenia ("**ITP**"). It has experienced significant sales growth due to increasing patient demand and physician acceptance. We believe TPIAO sales will continue to grow significantly as we further increase hospital penetration, enhance physician awareness and pursue additional therapeutic indications while the PRC government further improves insurance coverage.
- EPIAO is the only rhEPO product approved by the CFDA for three indications: the treatment of anemia associated with CKD, the treatment of CIA and the reduction of allogeneic blood transfusion in surgery patients. EPIAO has consistently been the market leader in the PRC rhEPO market since 2002. In 2014, EPIAO was sold to over 920 Grade III hospitals in China. We recently acquired another rhEPO product, SEPO, which will help broaden our market coverage, especially in lower-tier hospitals, where rhEPO has been experiencing significant growth. We believe that, with EPIAO and SEPO, we will strengthen our leadership in the growing rhEPO market in China.

Our broad product portfolio includes four self-developed products (EPIAO, TPIAO, Intefen and Inleusin), two acquired products as part of our acquisition of Sciprogen (SEPO and Sparin) and five in-licensed products (IV Iron Sucrose, Gan Xin, Si Qu Di, Rui Si Yi and Wan Wei). The table below sets forth our sales of goods breakdown by product in absolute amounts and as percentages of our total sales of goods for the periods indicated:

	For the year ended December 31,					
	2012		2013		2014	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
PRC Sales						
EPIAO	372,912	55.7	478,719	53.9	594,056	52.1
TPIAO	210,391	31.4	314,159	35.4	444,676	39.0
IV Iron Sucrose	34,268	5.1	46,124	5.2	64,737	5.7
Intefen	4,649	0.7	4,896	0.6	5,820	0.5
Inleusin	2,963	0.4	3,660	0.4	3,624	0.3
Others[(1)]	4,726	0.7	919	0.1	2,505	0.2
Export Sales	40,040	6.0	39,327	4.4	24,761	2.2
Total sales of goods	669,949	100.0	887,804	100.0	1,140,179	100.0
Less business tax and government surcharges	(13,804)	(2.1)	(12,408)	(1.4)	(9,325)	(0.8)
Revenue	656,145	97.9	875,396	98.6	1,130,854	99.2

Note:

(1) Including sales of Gan Xin and other products sourced from our suppliers, as well as revenue from our operation of dialysis centers, which we discontinued in 2012 after the establishment of DaVita JV, and sales of dialysis consumables; excluding sales of SEPO and Sparin, which we acquired on December 31, 2014.

Sales of EPIAO and TPIAO in China accounted for 87.1%, 89.3% and 91.1% of our total sales of goods in 2012, 2013 and 2014, respectively. EPIAO and SEPO are follow-on versions of the innovator rhEPO product originally developed by Amgen Inc. We do not currently have patents of any commercial significance covering EPIAO or several of our product candidates. Furthermore, two of our TPIAO-related patents expired in 2015. However, we believe that TPIAO is adequately protected from direct competition by our currently effective patent as well as new patents for which we have applied and plan to apply. Our growth will depend on our ability to effectively operate in a competitive environment, including our ability to protect our products from direct competition.

Sales, Marketing and Distribution

Our sales and marketing efforts are characterized by a strong emphasis on academic promotion, which we believe plays a pivotal role in the marketing and sales of innovative biopharmaceuticals. We aim to promote and strengthen our academic recognition and brand awareness among medical experts.

We market and promote TPIAO, EPIAO and IV Iron Sucrose mainly through our in-house sales and marketing team. We sell these products to distributors, who are our direct customers and are responsible for delivering our products to hospitals and other medical institutions that purchase these products. We primarily rely on third-party promoters to market our other products. Third-party promoters are also our direct customers, and perform both marketing and distribution functions. We have recently established a new business department in charge of expanding and managing our third-party promoter network.

Our extensive sales and distribution network in China is supported by 706 sales and marketing employees, 113 distributors and 421 third-party promoters as of December 31, 2014. In 2014, our sales team covered 1,219 or 64.2% of all Grade III hospitals as of November 30, 2014, 1,718 or 25.2% of all Grade II hospitals as of November 30, 2014 and 521 other hospitals and medical institutions, reaching 30 provinces, autonomous regions and municipalities across China. In addition, TPIAO, EPIAO and some of our other products are exported to a number of countries through international third-party promoters. However, it may take substantial time for us to obtain approval for registering and selling our products in additional countries, especially in developed countries.

Research and Development and Product Pipeline

We have a proven track record of research and development of biopharmaceuticals. Our integrated research and development expertise spans the areas of discovery and development of biopharmaceuticals including molecular cloning, gene expression, cell line construction and process development, as well as design and management of pre-clinical and clinical trials, manufacturing process development and analytic process development for quality control and assurance. We are experienced in the research and development of both mammalian cell-expressed and bacterial cell-expressed biopharmaceuticals.

We have a robust pipeline of 20 product candidates, 14 of which are being developed as National Class I New Drugs in China. We primarily focus on product candidates in two core therapeutic areas, nephrology and oncology. We have eight product candidates in nephrology, five of which are being developed as National Class I New Drugs, and six product candidates in oncology, all of which are being developed as National Class I New Drugs. At the same time, by leveraging our strengths in recombinant protein technology, we are developing several product candidates that target auto-immune diseases with unmet needs such as rheumatoid arthritis and refractory gout.

Our product pipeline includes four mAb product candidates. We have also entered into strategic cooperation with CP Guojian, an industry leader in the PRC mAb sector, for the research and development, manufacturing and marketing of mAb therapeutics.

We have supplemented our internally developed product pipeline with product candidates, particularly chemical drug candidates, in-licensed from or developed in collaboration with leading international and Chinese biopharmaceutical and pharmaceutical companies and research institutions. We are one of the few PRC companies with both in-licensing and out-licensing agreements with international partners.

Manufacturing and Suppliers

We have accumulated extensive expertise and know-how in manufacturing biopharmaceuticals. We are able to efficiently mass produce biopharmaceuticals while consistently ensuring high quality. In September 2011, the CFDA approved our voluntary upgrade of manufacturing specifications to fully align the product quality of EPIAO with European Pharmacopoeia standards. We also continuously improve our production efficiency. Our average production batch yields for EPIAO increased more than two-fold during the Track Record Period.

Our suppliers include manufacturers of our in-licensed products, such as IV Iron Sucrose and Gan Xin, as well as suppliers of raw materials and packaging materials.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiated us from our competitors:

- A market leader in the highly attractive PRC biotechnology industry;
- Market-leading products with significant growth potential;
- Robust pipeline of innovative products supported by integrated research and development capabilities;
- Strong in-house sales capability enabling us to effectively promote and sell innovative biopharmaceuticals;
- Strong manufacturing expertise ensuring high product quality and efficiency; and
- An experienced and visionary management team with proven ability to lead our growth.

For details of our competitive strengths, please refer to pages 143 to 148 of this prospectus.

OUR STRATEGIES

Our mission is to provide better care for patients through innovation and excellence. We aim to strengthen our leadership position in the PRC biotechnology industry and to significantly expand our international business in the next few years. The key elements of our strategy are to:

- Further develop the PRC rhTPO market;
- Strengthen our leadership position in the PRC rhEPO market;
- Expand our innovative product portfolio through in-house research and development and collaborative partnerships;
- Expand our business and strengthen our core competence through acquisitions and strategic investments;
- Expand our network of third-party promoters to broaden our market coverage; and
- Grow our international business through global product registration and development.

For details of our strategies, please refer to pages 148 to 152 of this prospectus.

RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us and/or the value of your investment. Major risks we face include, among others, the following:

- We are largely dependent on sales of our two core products, EPIAO and TPIAO;
- We operate in a highly competitive environment, and we may not be able to compete effectively against current and future competitors;
- If our products are excluded or removed from the National Medical Insurance Catalogue or provincial medical insurance catalogues, our sales, profitability and business prospects could be adversely affected;
- If we are unable to win bids to sell our products to PRC hospitals in the provincial tendering process, we may lose market share and our revenue and profitability could be adversely affected;
- The retail prices of certain of our products are subject to price controls, including periodic downward adjustments, by the PRC government authorities; and

- If our employees, distributors or third-party promoters engage in corrupt practices or inappropriate promotion of our products, our reputation could be harmed and we could be exposed to regulatory investigations, cost and liabilities.

Please refer to pages 37 to 74 of this prospectus for details of our risk factors, which we strongly urge you to read in full before making an investment in our Shares.

PRICE CONTROLS OVER OUR PHARMACEUTICAL PRODUCTS

In China, prices of pharmaceutical products are heavily regulated by the government. Pharmaceutical products included in the National Medical Insurance Catalogue or provincial 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.

As of the Latest Practicable Date, other than Gan Xin and Wan Wei, all of our products, including our core products, EPIAO and TPIAO, were included in the National Medical Insurance Catalogue and therefore subject to government price controls throughout China. As of the Latest Practicable Date, Gan Xin and Wan Wei were included in certain provincial medical insurance catalogues and therefore subject to government price controls in those provinces. However, there is a reasonable gap between the price ceilings set by the relevant government authorities and our average selling prices at which we sell our products to distributors or third-party promoters.

In September 2012, the NDRC released an updated list of maximum retail prices for certain drugs sold in China, which reduced the maximum retail prices for a number of our products, including EPIAO and TPIAO. For example, the maximum retail price for the 10,000 IU EPIAO was reduced by approximately 21% from RMB168 to RMB132, and the maximum retail price for the 15,000 units TPIAO was reduced by approximately 20% from RMB1,490 to RMB1,195. However, during the Track Record Period, our results of operations were not adversely affected by the NDRC price controls. Our gross margin increased steadily from 89.3% in 2012 to 90.5% in 2013 and further to 92.3% in 2014.

In May 2015, seven PRC state agencies including the NDRC and the CFDA issued a notice regarding pharmaceutical price reform, pursuant to which government price controls on pharmaceutical products (other than narcotic drugs and certain psychiatric drugs) will be lifted on June 1, 2015. Afterwards, prices of pharmaceutical products will be mainly determined by market competition through the provincial tendering processes, without price ceilings set by the NDRC. We expect that this policy change will provide more incentives for manufacturers to develop innovative products, and may encourage more multinational pharmaceutical companies to enter the PRC market. As a result, our products may face greater competition from innovative products. In addition, PRC government authorities are starting to implement policies that aim to further increase the affordability of pharmaceutical products. In an opinion issued in February 2015, the General Office of the State Council encouraged public hospitals to consolidate their demands and to play a more active role in the procurement of pharmaceutical products. Moreover, some new methods are used in recent provincial tendering, such as renegotiation of prices between hospitals and distributors or manufacturers after the retail prices are determined by tendering, which may create further downward pressures on the prices of pharmaceutical products. For further detail on these regulatory developments, please refer to the section headed "Business—Sales, Marketing and Distribution—Product Pricing" in this prospectus.

OUR PRIOR LISTING ON THE NASDAQ AND REASONS FOR THE LISTING

On February 7, 2007, our Company completed an initial public offerings of ADSs in the United States and became listed on the NASDAQ. Our Company was subsequently privatized on May 29, 2013. The closing price of the ADS and the market capitalization of our Company on May 29, 2013, being the last full trading day prior to the completion of privatization, was US$16.59 and approximately US$392.2 million, respectively. The Board believes that listing on a stock exchange where the shares of a number of comparable companies are traded, such as the Stock Exchange, may (i) raise our profile, (ii) provide us with further capital for our expansion and (iii) improve the trading liquidity of our Shares and more properly reflect the value of the Group. Our Directors confirm that,

to the best of their knowledge: (a) we had been in material compliance with all applicable U.S. securities laws and regulations as well as rules and regulations of the NASDAQ, and were not subject to any disciplinary action by the relevant regulators, during our listing on the NASDAQ; and (b) there are no matters in relation to our listing on the NASDAQ and privatization that need to be brought to the attention of the Stock Exchange or the Shareholders. For further details of our prior listing on the NASDAQ, please refer to the section headed "History, Reorganization and Corporate Restructuring—Prior Listing on the NASDAQ" in this prospectus.

PRE-IPO INVESTORS

As part of our privatization and pursuant to the Convertible Note Purchase Agreement entered into on May 24, 2013, Century Sunshine issued the Original Note in the principal amount of US$154,400,000 (equivalent to approximately HK$1,197.0 million) to CS Sunshine and CS Sunshine agreed to subscribe for the Investor Shares. On October 24, 2013, CS Sunshine assigned a portion of the Original Note in the principal amount of US$6,000,000 (equivalent to approximately HK$46.5 million) to Decheng pursuant to a sale and assignment agreement between CS Sunshine and Decheng. The assignment was completed on the same date. Subsequent to the assignment, Century Sunshine issued the CS Note (as amended) and the Decheng Note (as amended) to CS Sunshine and Decheng, respectively. For further details of CS Sunshine and Decheng, please refer to the section headed "History, Reorganization and Corporate Structure—Investment by CS Sunshine" in this prospectus.

SHAREHOLDER INFORMATION

Immediately after the completion of the Global Offering, our Controlling Shareholders will be collectively interested in 37.06% (assuming that the Over-allotment Option is not exercised) or 35.72% (assuming the Over-allotment Option is exercised in full) of our issued share capital and will remain as our Controlling Shareholders.

There is no competition between the business of our Controlling Shareholders and our businesses. The Directors believe that our Group is capable of carrying out its businesses independently of our Controlling Shareholders and their associates. For further details, please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth the summary of the consolidated financial information of our Group. We have derived the consolidated financial information as of and for the years ended December 31, 2012, 2013 and 2014 from our consolidated financial information in the Accountants' Report set out in Appendix I to this prospectus.

Selected Components of Statement of Profit or Loss

	For the year ended December 31,					
	2012		2013		2014	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Revenue	656,145	100.0	875,396	100.0	1,130,854	100.0
Cost of sales	(70,504)	(10.7)	(83,179)	(9.5)	(87,481)	(7.7)
Gross profit	585,641	89.3	792,217	90.5	1,043,373	92.3
Other income and gains	28,416	4.3	24,159	2.8	47,763	4.2
Selling and distribution expenses	(304,419)	(46.4)	(340,643)	(38.9)	(431,432)	(38.2)
Administrative expenses	(82,091)	(12.5)	(159,207)	(18.2)	(170,770)	(15.1)
Other expenses and losses[1]	(96,976)	(14.8)	(103,242)	(11.8)	(98,185)	(8.7)
Finance costs	—	—	—	—	(29,182)	(2.6)
Share of losses of associates	(165)	0.0	(4,576)	(0.5)	(1,383)	(0.1)
Profit before tax	130,406	19.9	208,708	23.8	360,184	31.9
Income tax expense	(28,519)	(4.3)	(112,649)	(12.9)	(68,456)	(6.1)
Profit for the year	101,887	15.5	96,059	11.0	291,728	25.8
Non-IFRS Measure:						
Adjusted net profit[2]	130,611	19.9	274,853	31.4	410,991	36.3

Notes:

(1) Including research and development expenses of RMB73.6 million, RMB93.5 million and RMB96.4 million in 2012, 2013 and 2014, respectively.

(2) We define adjusted net profit as profit for the year excluding (a) expenses related to our privatization transaction in 2013 (the "**Privatization**"), (b) expenses associated with our investor share-based awards granted in 2013 and 2014 pursuant to the Investors Rights Agreement, which will be terminated upon Listing, (c) one-off impairments on available-for-sale investments primarily due to a one-off writedown of the common shares we held in a Canada-based company, Aurinia, with which we had a collaborative relationship in research and development, and (d) expenses incurred in relation to the Listing. Expenses related to the Privatization included (i) professional fees and other expenses directly incurred by the Privatization; (ii) expenses associated with accelerated vesting of share-based awards; and (iii) withholding taxes on dividends paid to the Company by our PRC subsidiary to repay bank loans used for the Privatization. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year. Items excluded from adjusted net profit are significant components in understanding and assessing our operating and financial performance. Please refer to the section headed "Financial Information—Non-IFRS Measure" in this prospectus.

Recent Developments

The following table sets out our revenue, cost of sales and gross profit for the three months ended March 31, 2014 and 2015, which are extracted from our unaudited interim condensed consolidated financial statements for the three months ended March 31, 2014 and 2015, respectively. Our unaudited interim condensed consolidated financial statements for the three months ended March 31, 2015 have been reviewed by our reporting accountants in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. Our historical financial results may not be indicative of our full year or quarterly results for any future periods. Please refer to the sections headed "Financial Information" and "Risk Factors" in this prospectus for information regarding trends and other factors that may affect our results of operations. Our revenue and gross profit increased significantly mainly due to the growth in the sales of our core products and the consolidation of Sciprogen's and Sirton's revenues in the three months ended March 31, 2015. Our gross margin decreased slightly mainly because Sciprogen and Sirton historically had lower gross margins than we achieved during the Track Record Period, which diluted our Group's gross margin in the three months ended March 31, 2015.

	For the three months ended March 31,			
	2014		2015	
	RMB	%	RMB	%
	(in thousands, except percentages) (unaudited)			
Revenue	274,574	100.0	400,564	100.0
Cost of sales	(22,311)	(8.1)	(50,457)	(12.6)
Gross profit	252,263	91.9	350,107	87.4

Summary Consolidated Statements of Cash Flows

	For the year ended December 31,		
	2012	2013	2014
	(in thousands of RMB)		
Net cash flows from operating activities	144,449	217,254	386,589
Net cash flows (used in)/provided by investing activities	(201,520)	481,193	(289,217)
Net cash flows (used in)/provided by financing activities	501	(587,961)	(250,390)
Net (decrease)/increase in cash and cash equivalents	(56,570)	110,486	(153,018)
Effect of foreign exchange rate changes on cash, net	(357)	(2,502)	(7,572)
Cash and cash equivalents at beginning of the year	217,145	160,218	268,202
Cash and cash equivalents at the end of the year	160,218	268,202	107,612

Summary Consolidated Statements of Financial Position

	As of December 31,		
	2012	2013	2014
	(in thousands of RMB)		
Total current assets	1,114,980	926,088	942,627
Total current liabilities	(84,458)	(89,541)	(1,251,889)
Net current assets/(liabilities)	1,030,522	836,547	(309,262)
Total non-current assets	361,321	342,238	1,363,814
Total non-current liabilities	(12,604)	(96,982)	(110,960)
Total equity	1,379,239	1,081,803	943,592

Key Financial Ratios

	As of or for the year ended December 31,		
	2012	2013	2014
Gross margin[(1)]	89.3%	90.5%	92.3%
Net profit margin[(2)]	15.5%	11.0%	25.8%
Adjusted net profit margin[(3)]	19.9%	31.4%	36.3%
Return on total assets[(4)]	7.3%	7.0%	16.3%
Return on equity[(5)]	7.8%	7.9%	29.1%
Current ratio[(6)]	13.2	10.3	0.8
Gearing ratio[(7)]	—	—	65.4%

Note:

(1) Gross margin equals gross profit divided by revenue for the period.

(2) Net profit margin equals profit for the period divided by revenue for the period.

(3) Adjusted net profit margin equals adjusted net profit for the period divided by revenue for the period. Please refer to the section headed "Financial Information—Non-IFRS Measure" in this prospectus for details of adjusted net profit.

(4) Return on total assets equals profit for the period divided by the average of the beginning and ending total assets of the period.

(5) Return on equity equals profit for the period attributable to equity shareholders of the Company divided by the average of the beginning and ending total equity attributable to equity shareholders of the Company of the period.

(6) Current ratio equals current assets divided by current liabilities as of the end of the period.

(7) Gearing ratio equals total interest-bearing loans divided by total equity as of the end of the period. As of December 31, 2012 and 2013, we had no interest-bearing loans and thus gearing ratio was not calculated.

RECENT ACQUISITIONS

In December 2014, we completed two acquisitions, which we believe will diversify our product portfolio, generate synergies with our existing business and further enhance our competitiveness in the biopharmaceutical industry. We acquired Sciprogen, a PRC biopharmaceutical company with two revenue-generating products. In particular, Sciprogen's SEPO has become our second rhEPO product. SEPO will help us broaden our market coverage in China. In order to establish our footprint in Europe, we have also acquired Sirton, an Italian contract-based pharmaceutical manufacturer. We plan to continuously derive revenue from Sirton's contract-based pharmaceutical manufacturing business and leverage it as a platform to register and market our biopharmaceutical products in Europe.

In December 2014, we also became a minority shareholder of CP Guojian, a biopharmaceutical company with a leading first-to-market mAb product in China and a robust pipeline of mAb therapeutics. We intend to engage in extensive strategic cooperation with CP Guojian for the research and development, manufacturing and marketing of mAb therapeutics. For further information on our strategic framework agreement with CP Guojian, please refer to the section headed "Business—Our Strategic Cooperation with CP Guojian" in this prospectus.

RECENT DEVELOPMENTS

The Directors confirm that since December 31, 2014 (being the date to which the latest consolidated financial information of our Company was prepared) and up to the date of this prospectus, there has been no material adverse change in the industry in which we operate, our business or our financial condition which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus.

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 484,880,000 New Shares are issued pursuant to the Global Offering; (ii) the Over-allotment Option is not exercised; and (iii) 2,424,398,570 Shares are issued and outstanding following the completion of the Global Offering.

	Based on an Offer Price of HK$8.30	**Based on an Offer Price of HK$9.10**
	(HK$)	
Market capitalization	20,122.5 million	22,062.0 million
Unaudited pro forma adjusted consolidated net tangible assets per Share attributed to Our Shareholders	1.72	1.88

For the calculation of the unaudited pro forma adjusted net tangible asset value per Share attributed to our Shareholders, please refer to the section headed "Appendix II—Unaudited Pro Forma Financial Information" in this prospectus.

DIVIDEND POLICY

We declared and paid cash dividends of nil, RMB490.1 million and RMB659.0 million to our then shareholders in 2012, 2013 and 2014, respectively. The dividends paid during the Track Record Period were distributed to our parent company and used primarily to fund the Privatization.

The amount of dividend that we will declare and distribute to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and may be subject to approval of our Shareholders. Our Board has an absolute discretion to recommend any dividend for any year. There is no assurance that dividends of any amount will be declared or distributed in any year.

LISTING EXPENSES

The total listing expenses (including underwriting commissions) payable by our Company are estimated to be approximately HK$234.6 million, assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$8.70 per Offer Share (being the mid-point of our Offer Price range of HK$8.30 to HK$9.10 per Offer Share). These listing expenses mainly comprise professional fees paid and payable to the professional parties, and commissions payable to the Underwriters, for their services rendered in relation to the Listing and the Global Offering.

As of December 31, 2014, the listing expenses (excluding underwriting commissions) incurred by our Company in relation to the Listing were approximately RMB17.2 million, of which RMB14.6 million was charged to our consolidated statement of profits or loss and RMB2.6 million was capitalized. We estimate that additional listing expenses of RMB167.7 million (including underwriting

commissions of RMB83.1 million, assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$8.70 per Offer Share) will be incurred by our Company, of which approximately RMB46.1 million is expected to be charged to our consolidated statement of profit or loss and approximately RMB121.6 million is expected to be charged against equity upon the Listing.

The underwriting commissions, the Stock Exchange trading fees, SFC transaction levies, the brokerage fees and other expenses relating to the Sale Shares payable by the Selling Shareholder, namely CS Sunshine, are expected to be HK$43.7 million, assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$8.70 per Offer Share.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$3,983.9 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Over-allotment Option is exercised and an Offer Price of HK$8.70 per Offer Share, being the mid-point of the indicative Offer Price range of HK$8.30 to HK$9.10 per Offer Share in this prospectus. We intend to use the net proceeds we will receive from this offering for the following purposes:

Amount	% of total estimated net proceeds	Intended use
(HK$ million)	(%)	
1,792.7	45	• expand our portfolio of pharmaceutical products in our focused therapeutic areas through selective acquisitions
597.6	15	• strengthen the sales and marketing of our products
597.6	15	• fund capital expenditure projects to increase our production capabilities
597.6	15	• fund our research and development projects, including in-house projects and external collaboration projects
398.4	10	• working capital and general corporate purposes

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder in the Global Offering. The Selling Shareholder estimates that it will receive, in aggregate, net proceeds from the Global Offering of approximately HK$1,011.0 million, after deducting the estimated underwriting commissions and expenses payable by them in the Global Offering and assuming an Offer Price of HK$8.70 per Offer Share, being the mid-point of the indicative Offer Price range of HK$8.30 to HK$9.10 per Offer Share in this prospectus.

In the event that we receive net proceeds from the Global Offering higher or lower than the estimated amount stated above, we will increase or decrease the intended use of the net proceeds for the above purposes on a pro rata basis.

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings. Certain technical terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

"ADSs"	American Depositary Shares
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Ample Harvest"	Ample Harvest Investments Limited (溢豐投資有限公司), a company incorporated in the BVI on January 2, 2003, and a wholly-owned subsidiary of our Company
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on May 23, 2015 with effect from Listing, as amended from time to time
"Ascentage Jiangsu"	Ascentage Jiangsu Pharmaceutical Co., Ltd. (江蘇亞盛醫藥開發有限公司), a limited liability company incorporated in the PRC on June 1, 2010 and a direct wholly-owned subsidiary of Ascentage Pharma
"Ascentage Pharma"	Ascentage Pharma Group Corp Limited, a limited company incorporated in Hong Kong on May 22, 2009, in which our wholly-owned subsidiary Collected Mind holds a 40% equity interest
"Ascentage Shanghai"	Ascentage Shanghai Pharmaceutical Co., Ltd. (上海亞盛醫藥科技有限公司), a limited liability company incorporated in the PRC on June 1, 2009, in which Liaoning Sunshine holds a 40% equity interest
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audited Financial Statements"	the audited consolidated financial statements of our Company for the Track Record Period, as included in Appendix I to this prospectus
"Aurinia"	Aurinia Pharmaceuticals Inc., formerly known as Isotechnika Pharma Inc., a corporation incorporated under the laws of the state of Alberta, Canada, on June 16, 1993 and, save for our Company's approximately 1.95% equity interest in it as at September 30, 2014, an Independent Third Party

"Beijing Huansheng"	Beijing Huansheng Medical Investment Company Limited (北京環生醫療投資有限公司), a limited liability company incorporated in the PRC on November 13, 2014 and, save for Dr. Lou being its director and legal representative, an Independent Third Party
"Board"	the board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	British Virgin Islands
"CAGR"	compound annual growth rate
"Cayman Islands Company Law" or "Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Cayman Registrar"	the Registrar of Companies of the Cayman Islands
"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 a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Century Sunshine"	Century Sunshine Limited, an exempted company with limited liability incorporated in the Cayman Islands on December 19, 2012, which held 100% of the interest of our Company as of the Latest Practicable Date through Decade Sunshine
"CFDA"	the China Food and Drug Administration (中華人民共和國國家食品藥品監督管理總局), formerly known as the State Drug Administration (國家藥品監督管理局) and the State Food and Drug Administration (國家食品藥品監督管理局)

"China" or "PRC"	the People's Republic of China, except where the context requires otherwise excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CICC Bio Investments"	CICC Bio Investments Limited, a company incorporated in Hong Kong on May 13, 2010 and a wholly-owned subsidiary of our Company
"Collected Mind"	Collected Mind Limited (集思有限公司), a company incorporated in the BVI on May 3, 2006 and a wholly-owned subsidiary of our Company
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as 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 amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "the Company"	3SBio Inc. 三生制药, an exempted company with limited liability incorporated in the Cayman Islands on August 9, 2006
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to the Management Controlling Shareholders, Lambda International, Century Sunshine, Decade Sunshine, Hero Grand, Triple Talent, Joint Palace, Known Virtue and Medical Recovery as a group of Controlling Shareholders of our Company, and each of them, a "Controlling Shareholder"
"Convertible Notes"	the CS Note and the Decheng Note, and Convertible Note means any one of them
"Convertible Note Holders"	CS Sunshine, Decheng and any other transferees of the Convertible Notes, and Convertible Note Holder means any one of them
"Convertible Note Purchase Agreement"	the convertible, exchangeable and redeemable note purchase agreement dated May 24, 2013 among Century Sunshine, Decade Sunshine, Merger Sub, Dr. Lou and CS Sunshine for the issue of the Original Note and the Investor Shares to CS Sunshine

"Corporate Restructuring"	the corporate restructuring of the Group in preparation of the Listing, details of which are set out in the paragraph headed "History, Reorganization and Corporate Structure—Corporate Restructuring" in this prospectus
"CPE"	CPEChina Fund L.P., an exempted limited partnership registered in the Cayman Islands on May 19, 2010 and holding 100% interest in CS Sunshine
"CP Guojian"	Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司), a company incorporated in the PRC on January 25, 2002, in which our Group holds approximately 6.96% equity interest
"CP Guojian Warrant"	the warrant issued by our Company to Shanghai Junling on January 1, 2015 in respect of our Shares
"CS Sunshine"	CS Sunshine Investment Limited, a company incorporated in the BVI on October 11, 2012 and, save for its interest in our Group via the CS Note and its 100 shares in Century Sunshine, an Independent Third Party
"CS Note"	a convertible, exchangeable and redeemable note in the principal amount of US$148,400,000 issued by Century Sunshine to CS Sunshine on October 24, 2013 following the transfer of a portion of the Original Note from CS Sunshine to Decheng pursuant to a convertible note assignment agreement dated October 24, 2013 between CS Sunshine and Decheng, as supplemented and amended by an amendment to the CS Note dated November 8, 2014 between Century Sunshine and CS Sunshine
"DaVita"	DaVita China Pte. Ltd., a corporation organized under the laws of Singapore and, save for its interest in the DaVita JV, an Independent Third Party
"DaVita JV"	DaVita-3SBio Healthcare Management (Liaoning) Co., Ltd. (遼寧德維特三生醫療管理有限公司), a joint venture formed between and established by Liaoning Sunshine Technology and DaVita in the PRC on June 5, 2012, in which Liaoning Sunshine Technology holds a 30% equity interest
"Decade Sunshine"	Decade Sunshine Limited, an exempted company with limited liability incorporated in the Cayman Islands on December 19, 2012 which is wholly-owned by Century Sunshine and holds 100% of the interest of our Company

"Decheng"	Decheng Capital China Life Sciences USD Fund I, L.P., an exempted limited partnership registered in the Cayman Islands on September 26, 2011 and, save for its interest in our Group via the Decheng Note, an Independent Third Party
"Decheng Note"	a convertible, exchangeable and redeemable note in the principal amount of US$6,000,000 issued by Century Sunshine to Decheng on October 24, 2013 following the transfer of a portion of the Original Note from CS Sunshine to Decheng pursuant to a convertible note assignment agreement dated October 24, 2013 between CS Sunshine and Decheng, as supplemented and amended by an amendment to the Decheng Note dated November 8, 2014 between Century Sunshine and Decheng
"Director(s)"	the director(s) of our Company
"Dr. Lou"	Mr. Lou Jing (婁競), one of our co-founders, one of our Management Controlling Shareholders and the son of Mr. Lou
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》)
"Excel Partner"	Excel Partner Holdings Limited (特隆控股有限公司), a company incorporated in Hong Kong on July 8, 2010 and a wholly-owned subsidiary of our Company
"Frost and Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
"GAAP"	generally accepted accounting principles
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Guangdong Sciprogen"	Guangdong Sciprogen Bio-pharmaceutical Technology Co., Ltd. (廣東賽保爾生物醫藥技術有限公司), a company incorporated in the PRC on June 30, 2011 and a wholly-owned subsidiary of our Company
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider Computershare Hong Kong Investor Services Limited
"Group," "our Group," or "the Group"	our Company, its holding companies, and its subsidiaries, or where the context so requires, in respect of the period before our Company became the holding company of the present subsidiaries, the business operated by such subsidiaries
"Hero Grand"	Hero Grand Management Limited (英泰管理有限公司), a company incorporated in the BVI on May 18, 2006 and wholly-owned by Mr. Lou

"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hongkong Sansheng"	Hongkong Sansheng Medical Limited (香港三生醫藥有限公司), formerly known as China Sansheng Medical Limited (中國三生醫療有限公司), a company incorporated in Hong Kong on November 3, 2009 and a wholly-owned subsidiary of our Company
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 60,610,000 New Shares initially being offered for subscription in the Hong Kong Public Offering at the Offer Price (subject to adjustment and reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering—The Hong Kong Public Offering" in this prospectus
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Takeovers Code" or "Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering as listed in the section headed "Underwriting—Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement, dated May 29, 2015, relating to the Hong Kong Public Offering, entered into among, inter alia, the Joint Global Coordinators, the Hong Kong Underwriters, the Controlling Shareholders and our Company, as further described in the section headed "Underwriting" in this prospectus

"IFRS"	the International Financial Reporting Standards, amendments and interpretation issued from time to time by the International Accounting Standards Board
"IMS"	IMS Health Incorporated, a global provider of market intelligence to the pharmaceutical and healthcare industries, an Independent Third Party
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
"International Placing"	the conditional placing of the International Placing Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Placing Shares"	the 545,490,000 Shares comprising 424,270,000 New Shares and 121,220,000 Sale Shares being initially offered for subscription and purchased at the Offer Price under the International Placing together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment and reallocation as described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Placing
"International Underwriting Agreement"	the international underwriting agreement relating to the International Placing expected to be entered into by, among others, our Company, the Selling Shareholder, the Controlling Shareholders, the Joint Global Coordinators and the International Underwriters on or about June 4, 2015, as described in the section headed "Underwriting—Underwriting Arrangements And Expenses—The International Placing" in this prospectus
"Investors Rights Agreement"	the investors rights agreement dated May 29, 2013 entered into among Century Sunshine, CS Sunshine, Dr. Lou and other shareholders of Century Sunshine as supplemented and amended by two amendments dated July 22, 2013 and November 8, 2014 respectively

"Investor Shares"	the 100 shares of Century Sunshine issued by Century Sunshine to CS Sunshine pursuant to the Convertible Note Purchase Agreement
"Jiangsu Sunshine"	Jiangsu Sunshine Pharmaceutical Technology Company Limited (江蘇三生醫藥科技有限公司), a limited liability company incorporated in the PRC on December 7, 2010 and, save for Dr. Lou being its director and legal representative, an Independent Third Party
"Joint Bookrunners"	Morgan Stanley Asia Limited, CLSA Limited, Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited and China Merchants Securities (HK) Co., Limited
"Joint Global Coordinators"	Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., CLSA Limited and China International Capital Corporation Hong Kong Securities Limited
"Joint Lead Managers"	Morgan Stanley Asia Limited, CLSA Limited, Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited and China Merchants Securities (HK) Co., Limited
"Joint Palace"	Joint Palace Group Limited (聯軒集團有限公司), a company incorporated in the BVI on April 18, 2006 and wholly-owned by Ms. Su
"Joint Sponsors"	CITIC Securities Corporate Finance (HK) Limited, Goldman Sachs (Asia) L.L.C. and Morgan Stanley Asia Limited
"Known Virtue"	Known Virtue International Limited (名德國際有限公司), a company incorporated in the BVI on April 18, 2006 and wholly-owned by Mr. Huang
"Lambda International"	Lambda International Limited (能達國際有限公司), a company incorporated in the BVI on September 1, 2014 and is a wholly-owned subsidiary directly held by the Trustee acting as trustee of The Glory Trust
"Latest Practicable Date"	May 22, 2015, being the latest practicable date for ascertaining certain information in this prospectus before its publication
"Liaoning Sunshine"	Liaoning Sunshine Bio-Pharmaceutical Company Limited (遼寧三生醫藥有限公司), a limited liability company incorporated in the PRC on February 1, 2000 and a wholly-owned subsidiary of our Company

"Liaoning Sunshine Technology"	Liaoning Sunshine Science Technology Development Company Limited (遼寧三生科技發展有限公司), a limited liability company incorporated in the PRC on February 3, 2010 and a wholly-owned subsidiary of our Company
"LIBOR"	London Interbank Offered Rate
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about June 11, 2015, on which the Shares are to be listed and on which dealings in the Shares are to be first 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, supplemented or otherwise modified from time to time)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Management Controlling Shareholders"	Dr. Lou, Mr. Lou, Mr. Tan, Ms. Su and Mr. Huang and, each of them, a "Management Controlling Shareholder"
"Medical Recovery"	Medical Recovery Limited, a company incorporated in the BVI on January 20, 2014 and is the nominee directly held by the Trustee acting as trustee of The Sun Shine Trust
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company conditionally adopted on May 23, 2015 with effect from Listing, as amended from time to time
"Merger Sub"	Decade Sunshine Merger Sub, an exempted company with limited liability incorporated in the Cayman Islands on December 19, 2012, which was merged with and into our Company on May 29, 2013
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHRSS"	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
"Mr. Huang"	Mr. Huang Bin (黃斌), one of our Management Controlling Shareholders

"Mr. Lou"	Mr. Lou Dan (婁丹), one of our co-founders, one of our Management Controlling Shareholders and the father of Dr. Lou
"Mr. Tan"	Mr. Tan Bo (譚擘), one of our Management Controlling Shareholders
"Ms. Su"	Ms. Su Dongmei (蘇冬梅), one of our Management Controlling Shareholders
"NASDAQ"	NASDAQ Global Market
"National Medical Insurance Catalogue"	the National Basic Medical Insurance and Work-Related Injury Insurance Drug Catalogue (《國家基本醫療保險和工傷保險藥品目錄》) issued by the MOHRSS
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"New Shares"	the new Shares initially being offered for subscription by our Company at the Offer Price under the Global Offering
"NHFPC"	the 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)
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Placing Shares are to be offered pursuant to the International Placing, to be determined as described in the section headed "Structure of the Global Offering—Pricing and Allocation" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
"Original Note"	the convertible, exchangeable and redeemable note in the principal amount of US$154,400,000 issued by Century Sunshine to CS Sunshine on May 24, 2013, as supplemented and amended by an amendment to the Original Note dated July 22, 2013

"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 90,915,000 additional new Shares (representing in aggregate 15% of the initial Offer Shares) to, cover over-allocations in the International Placing, if any, details of which are described in the section headed "Structure of the Global Offering—Over-allotment Option" in this prospectus
"Participating Shareholders"	the shareholders of Century Sunshine participating in the Pre-IPO Reorganization pursuant to the Pre-IPO Reorganization Agreement
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Post-IPO Share Option Scheme"	the post-IPO share option scheme conditionally adopted by our Company on May 23, 2015, the principal terms of which are set out in the section headed "Statutory and General Information — 5. Post-IPO Share Option Scheme" in Appendix IV to this prospectus
"PRC Legal Advisor"	Jingtian & Gongcheng
"Pre-IPO Reorganization"	the reorganization arrangements to be conducted by our Group immediately before the Listing pursuant to the Pre-IPO Reorganization Agreement, details of which are set out in the section headed "History, Reorganization and Corporate Structure—Pre-IPO Reorganization" in this prospectus
"Pre-IPO Reorganization Agreement"	the pre-IPO reorganization agreement entered into among our Company, Decade Sunshine, Century Sunshine, CS Sunshine, Decheng and the shareholders of Century Sunshine on February 4, 2015 which sets out the terms of the Pre-IPO Reorganization
"Price Determination Agreement"	the agreement to be entered into between our Company and the Joint Global Coordinators, acting on behalf of the Underwriters, on the Price Determination Date to record and fix the Offer Price

"Price Determination Date"	the date, expected to be June 4, 2015, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than June 8, 2015, or such other date as agreed between the parties to the Price Determination Agreement
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of China
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	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)
"Sale Shares"	the Shares to be offered for sale by the Selling Shareholder at the Offer Price under the Global Offering
"SAT"	State Administration of Taxation (國家税務總局)
"Sciprogen"	Shenzhen Sciprogen Bio-pharmaceutical Co., Ltd. (深圳賽保爾生物藥業有限公司), a company incorporated in the PRC on March 22, 1999 and a wholly-owned subsidiary of our Company
"Selling Shareholder"	CS Sunshine
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Aoxi"	Shanghai Aoxi Technology Information Consulting Co., Ltd. (上海澳曦科技信息諮詢有限公司), a limited liability company incorporated in the PRC on December 18, 2014 and a wholly-owned subsidiary of our Company

"Shanghai Junling"	Shanghai Junling Investment Partnership (Limited Partnership) (上海峻嶺投資合夥企業(有限合夥)), a limited partnership established in the PRC on December 23, 2014, which is the holder of the CP Guojian Warrant and an Independent Third Party
"Shanghai Pudong Tianyu"	Shanghai Pudong Tianyu Investment Development Center (Limited Partnership) (上海浦東田羽投資發展中心(有限合夥)), a limited liability partnership established in the PRC on November 20, 2014 which is a wholly-owned subsidiary of our Company and is controlled by its general partner, Liaoning Sunshine
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.00001 each
"Shenyang Keweier"	Shenyang Keweier Advanced Technology Co., Ltd. (瀋陽科衛爾高技術有限責任公司), a collective enterprise at the time of its incorporation in the PRC on May 29, 1993 which was one of the founding shareholders of Shenyang Sunshine and ceased to be a shareholder of Shenyang Sunshine on July 18, 2006
"Shenyang Sunshine"	Shenyang Sunshine Pharmaceutical Company Limited (瀋陽三生製藥有限責任公司), a limited liability company incorporated in the PRC on January 3, 1993 and a wholly-owned subsidiary of our Company
"Shenzhen Baishitong"	Shenzhen Baishitong Technology Development Company Limited (深圳市百士通科技開發有限公司), a limited liability company incorporated in the PRC on March 8, 2002 and a wholly-owned subsidiary of our Company
"Sirton"	Sirton Pharmaceuticals S.p.A., a company with limited liability incorporated in Italy on November 22, 2010 and a wholly-owned subsidiary of our Company
"Stabilization Manager"	Goldman Sachs (Asia) L.L.C.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed thereto in the Listing Rules

"Taizhou CMC"	Taizhou Oriental China Medical City Holding Group Limited (泰州東方中國醫藥城控股集團有限公司), formerly known as Taizhou Oriental China Medical City Company Limited (泰州東方中國醫藥城有限公司), a limited liability company incorporated in the PRC on July 2, 2010 and an Independent Third Party
"Taizhou Huan Sheng Healthcare"	Taizhou Huan Sheng Healthcare Industry Investment Center (Limited Partnership) (泰州環晟健康產業投資中心(有限合夥)), a limited liability partnership established in the PRC on May 30, 2011 to which our Group contributed 80% of its capital and controlled by its general partner, Taizhou Huan Sheng Investment
"Taizhou Huan Sheng Investment"	Taizhou Huan Sheng Investment Management Company Limited (泰州環晟投資管理有限公司), a limited liability company incorporated in the PRC on December 29, 2010 and a wholly-owned subsidiary of our Company
"The Glory Trust"	a trust established by Mr. Lou (as the settlor) of which the Trustee acts as the trustee and the beneficiaries of which are Mr. Lou, his descendants, certain companies wholly owned by Mr. Lou, charities and persons declared by the Trustee as beneficiaries from time to time
"The Sun Shine Trust"	a trust established by Mr. Huang, Mr. Tan, Ms. Su and Mr. Li Ke (李柯) (as the settlors) of which the Trustee acts as the trustee and the beneficiaries of which are employees of our Company and other persons declared by the advisory committee of the trust and/or the Trustee
"Track Record Period"	the three financial years ended December 31, 2012, 2013 and 2014
"Triple Talent"	Triple Talent Enterprises Limited, a company incorporated in the BVI on July 28, 2008 and wholly-owned by Mr. Tan
"Trustee"	TMF (Cayman) Ltd., the trustee of The Glory Trust and The Sun Shine Trust
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"USFDA"	the United States Food and Drug Administration
"U.S. SEC"	Securities and Exchange Commission of the United States
"U.S. Securities Act"	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"we", "us" or "our"	our Company and, except where the context otherwise requires, all of its subsidiaries or where the context refers to any time prior to its incorporation, the businesses which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it pursuant to the Corporate Restructuring and the Pre-IPO Reorganization
"**White Form eIPO**"	the application for Public Offer Shares to be issued in the applicant's own name, submitted online through the designated website of the **White Form eIPO** Service Provider, **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Zhejiang Sunshine"	Zhejiang Sunshine Pharmaceutical Company Limited (浙江三生製藥有限公司), a limited liability company incorporated in the PRC on June 6, 2014 and a wholly-owned subsidiary of our Company
"%"	per cent

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as of the date of this prospectus.

This glossary contains definitions of certain technical terms used in this prospectus in connection with our business. These terms and their given meanings may not correspond to industry standard definitions or usage of these terms.

"anemia"	a condition characterized by a deficiency of red cells or haemoglobin in the blood, resulting in pallor, weariness and even more serious conditions such as multiple organ failure
"angiogenesis"	the physiological process through which new blood vessels form from pre-existing vessels, which is a fundamental step in the transition of tumors from a benign state to a malignant one, leading to the use of angiogenesis inhibitors in the treatment of cancer
"antibody-dependent cellular cytotoxicity (ADCC)"	a mechanism of cell-mediated immune defense whereby an effector cell of the immune system actively lyses a target cell, whose membrane-surface antigens have been bound by specific antibodies
"anticoagulant"	a class of drugs that work to prevent the coagulation (clotting) of blood and can be used in vivo as a medication for thrombotic disorders or in medical equipment which contact blood, such as test tubes, blood transfusion bags, and renal dialysis equipment
"antithrombin Ⅲ"	a nonvitamin K-dependent protease that inhibits coagulation by lysing thrombin and factor Xa
"aplastic anemia"	a disease in which an individual's bone marrow and the blood stem cells that reside in bone marrow are damaged, causing a deficiency of all three types of blood cells: red blood cells, white blood cells, and platelets
"apoptosis"	the process of programmed cell death (PCD) that may occur in multicellular organisms; abnormal PCD is known as one of the factors that may lead to cancer
"arthritis"	inflammation of the joints in one or more areas of the body
"autoimmune diseases"	diseases such as rheumatoid arthritis and lupus which arise from an abnormal immune response of the body against substances and tissues normally present in the body
"AXa"	a common measurement of LMWH levels to monitor anticoagulant therapy

"batch yield"	the quantity of a product that is produced by all bioreactor(s) in one production cycle as defined by manufacture standard operation procedures (SOPs)
"biosimilar"	a follow-on version of innovator biopharmaceuticals which are separately developed after patents protecting the innovator biopharmaceuticals have expired and have similar quality, safety and efficacy as the innovator biopharmaceuticals
"calcimimetic"	a drug used to treat hyperparathyroidism that mimics the action of calcium on tissues, by allosteric activation of the calcium-sensing receptor that is expressed in various human organ tissues
"calcineurin"	a protein phosphatase which activates T cells in the immune system
"cardiotoxicity"	the occurrence of heart electrophysiological dysfunction or muscle damage. The heart becomes weaker and is not as efficient in pumping and circulating blood
"CD43"	a transmembrane cell surface protein that is important for immune function
"chemotherapy"	treatment of cancer with chemical substances, chosen based on the type or stage of cancer
"chemotherapy-induced thrombocytopenia" or "CIT"	a condition characterized by abnormally low levels of platelets which is caused by chemotherapy
"chronic kidney disease" or "CKD"	a condition characterized by a gradual loss of kidney function over time
"clinical trial"	a research study for finding or validating the therapeutic effects and side-effects of test drugs to determine the safety and efficacy of such drugs
"colon cancer"	malignant tumor in the colon or rectum (parts of the large intestine)
"complement-dependent cytotoxicity (CDC)"	a mechanism whereby the C1q, one of the complement factors, binds the antibody and this binding triggers the complement cascade which leads to the formation of the membrane attack complex at the surface of the target cell, as a result of the classical pathway complement activation

"corticosteroid"	a naturally occurring hormone produced by the adrenal glands involved in the control of inflammation, stress response, metabolism, behavior, electrolyte balance and more
"deep vein thrombosis"	the formation of blood clot in a vein deep inside a part of the body, predominantly in the large veins in the lower leg and thigh
"dialysis"	treatment to replace certain functions a healthy kidney can perform, i.e. filter blood to rid body of harmful wastes, extra salt, and water
"embolism"	a condition where the blood flow in an artery is blocked by a foreign object, such as a blood clot or an air bubble
"erythropoiesis-stimulating agent" or "ESA"	a molecule that stimulates production of red blood cells in a similar way to naturally derived or endogenous erythropoietin
"erythropoietin" or "EPO"	a glycoprotein hormone that controls erythropoiesis or red blood cell production
"European Pharmacopoeia standards"	officially called the European Pharmacopoeia Reference Standards, a catalogue which lists all the reference standards officially valid for uses prescribed in the European Pharmacopoeia monographs, promulgated by the European Directorate for the Quality of Medicines & HealthCare (EDQM)
"fondaparinux"	an inhibitor of Factor Xa which works by decreasing the clotting ability of the blood to prevent deep vein thrombosis (a blood clot, usually in the leg), which can lead to pulmonary embolism (a blood clot in the lung), in people who are having hip surgery, hip or knee replacement, or abdominal surgery
"genital warts"	symptoms of a highly contagious sexually transmitted disease caused by certain types of human papillomavirus (HPV)
"glioblastoma (GBM)"	tumors that arise from astrocytes (the star-shaped cells that make up the "glue-like," or supportive tissue of the brain), usually highly malignant (cancerous) because the cells reproduce quickly and are supported by a large network of blood vessels
"glomerular filtration rate" or "GFR"	a measure of how well the kidneys are working. Specifically, it estimates how much blood passes through the glomeruli each minute. Glomeruli are the tiny filters in the kidneys that filter waste from the blood

"GMP"	abbreviation of "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 aims to minimize the risks of contamination, cross contamination, confusion and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use
"gout"	a type of inflammatory arthritis caused by crystallization of high concentrations of uric acid in the blood
"Grade I hospitals"	the smaller local hospitals designated as Grade 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
"Grade II hospitals"	the regional hospitals designated as Grade 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
"Grade 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
"GSK"	a British multinational pharmaceutical, biologics, vaccines and consumer healthcare company headquartered in Brentford, London
"GSP"	abbreviation of "Good Supply Practice for Pharmaceutical Products" (《藥品經營質量管理規範》) published by MOH on January 22, 2013 in relation to the management procedures and standards regulating the supply chain of pharmaceutical products in China which stipulates that companies should take effective quality control measures during the process of purchase, storage, sale and transportation of pharmaceutical products to ensure the quality of pharmaceutical products

"hematology"	branch of medicine concerned with the study, diagnosis, treatment, and prevention of diseases related to the blood and hemapoietic tissues
"hematuria"	an abnormal condition in which blood is found in the urine
"hemodialysis"	dialysis using a machine, sometimes called an artificial kidney. Patients usually go to a special clinic for hemodialysis treatments several times a week
"heparin"	used to prevent blood clots from forming in people who have certain medical conditions or who are undergoing certain medical procedures that increase the chance that clots will form; also used to stop the growth of clots that have already formed in the blood vessels
"hepatitis B"	an infectious disease affecting the liver, caused by the hepatitis B virus (HBV) and differs from hepatitis C in symptoms, prevalence, and prognosis
"hepatitis C"	an infectious disease affecting primarily the liver, caused by the hepatitis C virus (HCV) and differs from hepatitis B in symptoms, prevalence, and prognosis
"hepatocellular carcinoma (HCC)"	the most common type of liver cancer, most cases of which are secondary to either a viral hepatitis infection (hepatitis B or C) or cirrhosis (most commonly caused by alcoholism)
"HIF-PH"	abbreviation of "hypoxia-inducible factor prolyl hydroxylase", an enzyme that is the primary regulator of the production of red blood cells and may be a novel treatment for anemia
"hydrochloride"	a type of salt resulting from the reaction of hydrochloric acid with an organic base
"hypercalcemia"	an elevated calcium level in the blood, often indicative of other diseases
"hyperparathyroidism"	overactivity of the parathyroid glands resulting in excess production of parathyroid hormone (PTH), which regulates calcium and phosphate levels and helps to maintain these levels
"hyperphosphatemia"	an electrolyte disturbance in which there is an abnormally elevated level of phosphate in the blood, often reducing calcium levels due to precipitation of phosphate with the calcium in tissues

"hyperuricemia"	a level of uric acid in the blood that is abnormally high
"immune thrombocytopenia" or "ITP"	a bleeding disorder in which the immune system destroys platelets, which are necessary for normal blood clotting
"immunoglobulins"	also known as antibodies, which are substances made by the body's immune system in response to bacteria, viruses, fungus, animal dander or cancer cells
"immunology"	a branch of biomedical science that deals with the response of an organism to antigenic challenge and its recognition of what is self and what is not
"immunosuppressant drugs"	medicines that lower the body's ability to reject a transplanted organ by inhibiting immune response
"immunosuppression"	involves an act that reduces the activation or efficacy of the immune system
"indication"	a valid reason to use a certain test, medication, procedure or surgery
"inhibitor"	a chemical or substance added or applied to another substance to slow down a reaction or to prevent an unwanted chemical change
"interferon alpha-2a"	a recombinant human protein which boosts immune system function and prevents tumor cells or viruses from growing inside the body; used as a treatment of viral diseases and certain types of cancer
"interleukin 11" or "IL-11"	a multifunctional cytokine isolated from bone marrow-derived stromal cells, human recombinant forms of which are used to treat thrombocytopenia
"interleukin 2" or "IL-2"	a type of cytokine that regulates the activities of white blood cells (leukocytes, often lymphocytes) which are responsible for immunity; its human recombinant forms are used to treat certain cancers
"iron dextran"	an intravenously (IV) administered form of iron used to treat iron-deficiency anemia, by replenishing iron stores so that the body can make more red blood cells
"iron sucrose"	an intravenously administered iron product indicated in the treatment of iron deficiency anemia, frequently used in patients undergoing hemodialysis or erythropoietin therapy, and/or patients who have chronic kidney disease

"IU"	abbreviation of "international unit per vial"
"late-stage CKD"	stage IV and stage V CKD
"leukemia"	a group of cancers that usually begins in the bone marrow and results in high numbers of abnormal white blood cells
"Lesch-Nyhan syndrome"	a rare inherited disorder caused by a deficiency of the enzyme hypoxanthine-guanine phosphoribosyltransferase, produced by mutations in the HPRT gene located on the X chromosome
"low-molecular-weight heparin calcium" or "LMWH-Ca"	a new kind of antithrombotic drug derived from depolymerization of standard heparin, which is the process of converting a polymer into a monomer or a mixture of monomers
"lyophilized powder"	powder made through a dehydration process typically used to preserve a perishable material or make the material more convenient for transport
"mAb" or "monoclonal antibody"	a monospecific antibody against a specific epitope on an antigen made by identical immune cells that are all clones of a unique parent cell, in contrast to polyclonal antibodies which are made from hundreds of different immune cells
"melanoma"	a type of skin cancer that forms from melanocytes, which produce melanin, the pigment primarily responsible for skin color
"MIU"	abbreviation of "million international unit per vial"
"nephrology"	a branch of medicine concerning the study of normal kidney function, kidney problems, the treatment of kidney problems and renal replacement therapy
"non-myeloid malignancies"	all cancers other than myeloid leukemias, which are leukemias involving myelocytes, precursors of one of the two main types of white blood cells
"oncology"	a branch of medicine dealing with the physical, chemical and biological properties of tumors, including study of their development, diagnosis, treatment and prevention.
"orphan drug"	a pharmaceutical agent that has been developed specifically to treat a rare medical condition (an orphan disease)
"orthopedics"	a medical specialty that focuses on injuries and diseases of the musculoskeletal system

"osteoporosis"	literally "porous bone", a disease in which the density and quality of bone are reduced, which occurs progressively
"parathyroid hormone" or "PTH"	a hormone which acts to increase the concentration of calcium in the blood by acting upon the parathyroid hormone 1 receptor (high levels in bone and kidney) and the parathyroid hormone 2 receptor (high levels in the central nervous system, pancreas, testis, and placenta)
"peripheral edema"	the swelling of tissues, usually in the lower limbs, due to the accumulation of fluids
"peritoneal dialysis"	a form of dialysis using the lining of a patient's abdomen, called the peritoneal membrane, to filter the patient's blood
"Pharmaceutical Inspection Convention" and "Pharmaceutical Inspection Co-operation Scheme" (jointly referred to as PIC/S)	two international instruments between countries and pharmaceutical inspection authorities, together providing an active and constructive cooperation in the field of GMP
"pharmacokinetics"	a branch of pharmacology dedicated to determining the metabolism of substances administered externally to a living organism
"plasma" or "blood plasma"	the pale-yellow liquid component of blood that normally holds the blood cells in whole blood in suspension. It also serves as the protein reserve of the human body and protects the body from infection and other blood disorders
"platelets"	blood cells whose function along with the coagulation factors is to stop bleeding
"polynuclear iron (III)-hydroxide"	a novel product which has experimentally been shown as an effective iron supplement
"proteins"	large biological molecules or macromolecules, consisting of one or more long chains of amino acid residues
"proteinuria"	a condition in which urine contains an abnormal amount of protein. Proteins from the blood can leak into the urine when the kidney is damaged
"psoriasis"	a common, chronic, relapsing/remitting, immune-mediated systemic disease characterized by skin lesions including red, scaly patches, papules and plaques, which usually itch

"p53 tumor suppressor"	a protein in humans that is encoded by the p53 gene, crucial in multicellular organisms, where it regulates the cell cycle and, thus, functions as a tumor suppressor, preventing cancer
"recombinant DNA"	DNA molecules formed by laboratory methods of genetic recombination (such as molecular cloning) to bring together genetic material from multiple sources, creating sequences that would not otherwise be found in biological organisms
"refractory gout"	a type of gout characterized by ongoing symptoms of active disease and the patient's inability to maintain a target serum urate less than 6 mg/dl
"renal cell carcinoma"	a kidney cancer that originates in the lining (epithelial cells) of the proximal convoluted tubule, a part of the very small tubes in the kidney that transport waste molecules from the blood to the urine
"rhEPO" or "recombinant human erythropoietin"	human erythropoietin synthesized by methods of genetic recombination
"rheumatoid arthritis"	an autoimmune disease where the body's immune system attacks normal joint tissues, causing inflammation of the joints and surrounding tissues; it can also affect other organs
"rhTPO" or "recombinant human thrombopoietin"	human thrombopoietin synthesized by methods of genetic recombination
"small-molecule drug"	a kind of drug that is a low molecular weight organic compound with a size in the order of 10^{-9} m, which helps regulate a biological process
"splenectomy"	surgery to remove the spleen
"systemic lupus erythematosus"	a systemic autoimmune disease in which the body's immune system attacks normal, healthy tissue and can result in symptoms such as inflammation and swelling
"thrombocytopenia"	a disorder characterized by a decrease of platelets present in the blood which can lead to abnormal bleeding
"thrombopoietin" or "TPO"	a glycoprotein hormone largely produced by liver which regulates the production of platelets
"thrombosis"	the formation of a blood clot inside a blood vessel, obstructing the flow of blood through the circulatory system
"TNF α" or "tumor necrosis factor α"	a monocyte-derived cytotoxin that is involved in tumor regression, septic shock and cachexia

"tuberculosis"	a widespread, and in many cases fatal, infectious disease caused by various strains of mycobacteria, usually mycobacterium tuberculosis
"tumor lysis syndrome"	a group of metabolic complications that can occur after treatment of cancer, usually lymphomas and leukemias, and sometimes even without treatment
"vascular endothelial growth factor" or "VEGF"	a signal protein that stimulates the growth of blood vessels
"VTE" or "venous thrombosis"	a blood clot (thrombus) that forms within a vein, including deep vein thrombosis (DVT), as well as life-threatening pulmonary embolism (PE) if the thrombus breaks off (embolizes) and lodges in a vein in the lungs

Certain statements in this prospectus are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will" "expect", "anticipate", "estimate", "believe", "going forward", "ought to", "may", "seek", "should", "intend", "plan", "projection", "could", "vision", "goals", "objective", "target", "schedules" and "outlook") are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this prospectus), uncertainties and other factors some of which are beyond our Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- competition from other domestic and foreign pharmaceutical and healthcare companies and their products;
- changes in China's healthcare insurance system, particularly in various government sponsored programs, as to coverage and reimbursement limits and otherwise;
- changes in other Chinese government policies and regulations;
- other changes in the healthcare industry in China;
- fluctuations in general economic and business conditions in China; and
- all other risks and uncertainties described in the "Risk Factors" section in this prospectus.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this prospectus are expressly qualified by reference to this cautionary statement.

You should carefully consider all of the information in this prospectus, including the following risk factors before making any investment decision in relation to the Offer Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The market price of the Offer Shares could fall significantly due to any of these risks, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks related to our business and industry; (ii) risks related to conducting business in the PRC; and (iii) risks related to the Global Offering.

Risks Related To Our Business and Industry

We are largely dependent on sales of our two core products, EPIAO and TPIAO.

We are largely dependent on sales of two products: EPIAO and TPIAO. If we are unable to maintain the sales volumes, pricing levels and profit margins of these two core products, our revenue and profitability could be adversely affected.

Sales of EPIAO in China accounted for 55.7%, 53.9% and 52.1% of our total sales of goods in 2012, 2013 and 2014, respectively. Sales of TPIAO in China accounted for 31.4%, 35.4% and 39.0% of our total sales of goods in 2012, 2013 and 2014, respectively. We expect that sales of EPIAO and TPIAO will continue to comprise a substantial portion of our total sales of goods in the near future. Any reduction in sales or profit margins of EPIAO and TPIAO will thus have a direct negative impact on our business, financial condition and results of operations.

Many of the factors discussed in this section below could adversely affect sales of EPIAO and TPIAO, including, but not limited to, their inclusion or removal from the National Medical Insurance Catalogue and provincial medical insurance catalogues; pricing pressure caused by government policies and competition; market acceptance among the medical community; disruptions in manufacturing or distribution; issues with product quality or side effects; and disputes over intellectual property. Moreover, despite our efforts, we may be unable to develop or acquire new products that would diversify our business and reduce our dependence on EPIAO and TPIAO, or to do so in a competitive manner.

We operate in a highly competitive environment, and we may not be able to compete effectively against current and future competitors.

We operate in a highly competitive environment. For the reasons discussed in this section below and other possible reasons, we may not be able to compete effectively against current and future competitors. Our inability to compete effectively could result in decrease of sales, reduction of price and loss of market share, any of which could have a material adverse effect on our results of operations and profit margins.

Our products compete with other products or treatments for diseases for which our products may be indicated. EPIAO and SEPO are follow-on versions of the innovator rhEPO product originally developed by Amgen Inc., and they compete with a dozen other rhEPO products in the PRC market, including products marketed by both multinational and domestic companies. Some of these competing products have experienced rapid growth in recent years, particularly in lower-tier markets. While TPIAO is the only rhTPO product available in the PRC market to date, other companies may enter this market and introduce products similar to TPIAO, which could exert competitive pressure in the rhTPO market.

Moreover, we do not currently have patents of any commercial significance covering EPIAO or several of our product candidates. Two of our TPIAO-related patents expired in 2015. Although we believe that TPIAO is adequately protected from direct competition by our currently effective patent as well as new patents for which we have applied and plan to apply, the expiry of these two patents allows potential competitors to construct rhTPO cell lines. If we fail to protect our products from direct competition, our sales and profit margins may be materially and adversely affected.

The biotechnology and pharmaceutical industries are characterized by rapid changes in technology, constant enhancement of industrial know-how and frequent emergence of new products. Future technological improvements and continual product developments in the pharmaceutical market may render our existing products obsolete or decrease our viability and competitiveness. Therefore, our future success will largely depend on our ability to improve our existing products and develop new and competitively priced products which meet the requirements of the constantly changing market. If we fail to introduce new or improved products, or if our new or improved products do not achieve adequate market acceptance, our business prospects may be materially and adversely affected.

Many of our competitors, including foreign pharmaceutical companies and large state-owned pharmaceutical companies, may have substantially greater clinical, research, regulatory, manufacturing, marketing, financial and human resources than we have. Certain of our competitors may be actively engaged in research and development in areas where we have products or where we are developing product candidates or new indications for our existing products. Other companies may discover, develop, acquire or commercialize products more quickly or more successfully than we do. There may also be significant consolidation in the pharmaceutical industry among our competitors, or alliances developed among competitors that may rapidly acquire significant market share. If we fail to effectively compete with our competitors or adjust to structural changes in the biotechnology and pharmaceutical industries, our operations and profitability may be materially and adversely affected.

If our products are excluded or removed from the National Medical Insurance Catalogue or provincial medical insurance catalogues, our sales, profitability and business prospects could be adversely affected.

Under the national medical insurance program in the PRC, patients are entitled to full or partial reimbursement of costs for pharmaceutical products listed in the National Medical Insurance Catalogue or provincial medical insurance catalogues. According to the PRC National Bureau of

Statistics, approximately 570.7 million people in China were enrolled in the national medical insurance program as of December 31, 2013. Consequently, a pharmaceutical product's inclusion in or exclusion from the National Medical Insurance Catalogue or provincial medical insurance catalogues will significantly affect the demand for such product in the PRC.

As of the Latest Practicable Date, other than Gan Xin and Wan Wei, all of our products, including our core products, EPIAO and TPIAO, were listed in the National Medical Insurance Catalogue. However, nationwide coverage is limited to the nephrology indication for EPIAO and limited to the oncology indication in connection with work-related injuries for TPIAO. In addition, as of the Latest Practicable Date, EPIAO was listed in eight provincial medical insurance catalogues for its oncology indication, and TPIAO was listed in seven provincial medical insurance catalogues for its oncology indication without the limitation to work-related injuries.

The selection of pharmaceutical products for listing in the National Medical Insurance Catalogue or provincial medical insurance catalogues is based on a variety of factors, including clinical needs, use frequency, efficacy and price, many of which are outside of our control. Moreover, the relevant PRC government authorities may also, from time to time, review and revise the scope of reimbursement for the products that are already listed in the National Medical Insurance Catalogue or provincial medical insurance catalogues. There can be no assurance that any of our products currently listed in the National Medical Insurance Catalogue or provincial medical insurance catalogues will remain listed, or that changes in the scope of reimbursement will not negatively affect our products. If any of our products are removed from the National Medical Insurance Catalogue or provincial medical insurance catalogues, or if the scope of reimbursement is reduced, demand for our products may decrease and our revenue and profitability could be adversely affected. Furthermore, if we are unable to get new products listed in the National Medical Insurance Catalogue or provincial medical insurance catalogues, or get new indications added to our currently listed products, our business prospects could be adversely affected.

If we are unable to win bids to sell our products to PRC hospitals in the provincial tendering process, we may lose market share and our revenue and profitability could be adversely affected.

In each province where we market our products, we are required to participate in a government-sponsored competitive bidding process every year or every few years. During the provincial tendering process, we and our competitors submit pricing and other product information to local pricing bureaus for selection, which is based on the bid price, clinical effectiveness and quality of each product and the reputation of the bidder. For each product category, a local pricing bureau will permit a limited number of products for sale in the relevant province or local district.

We may fail to win bids in a provincial tendering process due to various factors, including reduced demand for the relevant product, uncompetitive bidding price or local protectionism. We may also win bids at low prices that will limit our profit margins. There can be no assurance that our bids will enable us to win the tendering process and maintain our market share without compromising our profitability. In addition, we may lose in the tendering process because the relevant product is perceived to be less clinically effective than competing products or our services or other aspects of our operations are perceived to be less competitive.

Recently, some new methods are used in the provincial tendering processes, which may create further downward pressures on the prices of pharmaceutical products. In their most recent tendering processes, several provinces required that bids for a product not to exceed the lowest winning bid or the average of the five or ten lowest winning bids for the same product in other provinces. Such requirement was rarely imposed in the past, and it tends to reduce bids by all manufacturers and the winning bids as a result. Some provinces recently started to employ a combined tendering process for essential drugs (drugs included in the National Essential Drug List) and non-essential drugs. In the past, manufacturers of essential drugs may sell them as non-essential drugs at higher prices but in fewer and smaller hospitals than as essential drugs. The new combined tendering process eliminates this option. As of the Latest Practicable Date, Sparin was included in the National Essential Drug List. The combined tendering process will limit our option to sell Sparin as a non-essential drug in these provinces. Furthermore, a small number of provinces are starting to allow hospitals to renegotiate prices with distributors or manufacturers after the retail prices are determined by the tendering processes, whereas in the past all hospitals' procurement prices were determined by the tendering results. Such renegotiation may reduce manufacturers' selling prices.

If our products are not selected in the provincial tendering processes in one or more regions, we will be unable to sell the relevant products to the public hospitals in those regions, and our market share, revenue and profitability could be adversely affected.

The retail prices of certain of our products are subject to price controls, including periodic downward adjustments, by the PRC government authorities.

Pharmaceutical products included in the National Medical Insurance Catalogue or provincial 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 fixed retail prices or maximum retail prices. These retail prices 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. Control over and downward adjustments to retail prices of our products could increase pricing pressure in subsequent provincial tendering processes and indirectly limit the wholesale prices at which we can sell the relevant products to distributors.

All of our products, including EPIAO and TPIAO, are currently included in the National Medical Insurance Catalogue and/or certain provincial medical insurance catalogues. In September 2012, the NDRC released an updated list of maximum retail prices for certain drugs sold in China, which reduced the maximum retail prices for EPIAO and TPIAO. For example, the maximum retail price for the 10,000 IU EPIAO was reduced by approximately 21%, and the maximum retail price for the 15,000 units TPIAO was reduced by approximately 20%. The actual retail prices of TPIAO were adjusted downward in most provinces when the price ceilings were updated in 2012. In the future, our new products may be included in the National Medical Insurance Catalogue or provincial medical insurance catalogues, likely causing downward pricing pressure on these products. Additionally, our products may be subject to government price controls on an exceptional basis whether or not they are included in the National Medical Insurance Catalogue or provincial medical insurance catalogues.

Although government price controls did not have a material adverse impact on our results of operations during the Track Record Period, if PRC government authorities continue to make downward adjustments to the maximum retail prices of our products, our wholesale prices, our revenue and profitability could be adversely affected. Furthermore, PRC government authorities may reform the current schemes of pricing control and provincial tendering for pharmaceutical products or revise other policies affecting pharmaceutical prices. Recently, PRC government authorities are starting to implement policies that aim to further increase the affordability of pharmaceutical products. In an opinion issued in February 2015, the General Office of the State Council encouraged public hospitals to consolidate their demands and to play a more active role in the procurement of pharmaceutical products. Hospitals are encouraged to directly settle the purchase prices of pharmaceutical products with manufacturers. This policy is intended to reduce the retail prices of pharmaceutical products by cutting the intermediaries between hospitals and manufacturers. Consolidated procurement and direct settlement between hospitals and manufacturers may increase the bargaining power of hospitals and increase the pricing pressure on our products. In May 2015, seven PRC state agencies including the NDRC and the CFDA issued a notice regarding pharmaceutical price reform, pursuant to which government price controls on pharmaceutical products (other than narcotic drugs and certain psychiatric drugs) will be lifted on June 1, 2015. Afterwards, prices of pharmaceutical products will be mainly determined by market competition through the provincial tendering processes, without price ceilings set by the NDRC. We expect that this policy change will provide more incentives for manufacturers to develop innovative products, and may encourage more multinational pharmaceutical companies to enter the PRC market. As a result, our products may face greater competition from innovative products developed by other companies. Any changes in price control policies, which we may not be able to predict or control, could create uncertainties affecting our product prices, revenue and profitability.

If our employees, distributors or third-party promoters engage in corrupt practices or inappropriate promotion of our products, our reputation could be harmed and we could be exposed to regulatory investigations, cost and liabilities.

We do not fully control the interactions our employees, distributors and third-party promoters have with hospitals, medical institutions and doctors, and they may try to increase sales volumes of our products through means that constitute violations of the PRC anti-corruption and other related laws. If our employees, distributors or third-party promoters engage in corrupt or other improper conduct that result in violation of applicable anti-corruption laws in the PRC or other jurisdictions, our reputation could be harmed. Furthermore, we could be held liable for actions taken by our employees, distributors or third-party promoters, which could expose us to regulatory investigations and penalties.

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》), if we are involved in criminal, investigational or administrative procedures for commercial bribery, we will be listed in the Adverse Records of Commercial Briberies by the relevant government authorities, as a result of which our products cannot be purchased by public medical institutions or medical and health institutions receiving financial subsidies within a specific territorial scope for two years; and if we are listed in the Adverse Records of Commercial Briberies twice within five years, our products

cannot be purchased by public medical institutions or medical and health institutions receiving financial subsidies throughout China for two years. Please refer to "Regulations—PRC Laws and Regulations Relating to Commercial Briberies with Respect to Pharmaceutical Industry" for further details of relevant PRC regulations on commercial briberies.

Our high gross margin during the Track Record Period may not be sustainable in the future.

During the Track Record Period, we maintained a high level of gross margin, at 89.3%, 90.5% and 92.3% for 2012, 2013 and 2014, respectively. However, we cannot assure you that we will sustain a similarly high gross margin in the future. Various factors may affect our gross margin, many of which are beyond our control. For example, new procedures used in the provincial tendering processes may further decrease the average selling prices of our products, which would have a negative effect on our gross margin. In addition, we may face increasing competition from new entrants to the PRC rhEPO and rhTPO markets due to our lack of any commercially significant patent covering EPIAO and the expiry of two of our TPIAO-related patents, which may also exert downward pressure on our average selling prices. Moreover, the increase of our gross margin during the Track Record Period was partially attributable to the decrease of our applicable value-added tax ("**VAT**") rate from 17% to 6% in April 2013 and further to 3% in July 2014, which increased the average selling prices of our products. Going forward, our applicable VAT rate is unlikely to further decrease significantly. Furthermore, Sciprogen and Sirton, which we acquired in December 2014, historically had lower gross margins than we achieved during the Track Record Period. Their consolidation into our financial results may dilute our gross margin. As a result, our high gross margin in the past may not be sustainable in the future.

Failure to attain market acceptance for our products among the medical community would have an adverse impact on our operations and profitability.

The commercial success of our products, including in-licensed products, depends upon the degree of market acceptance they achieve among the medical community, particularly physicians and hospitals. The acceptance of any of our products among the medical community will depend upon several factors, including:

- the safety and efficacy of the product;
- the effectiveness of our efforts to market the product to hospitals and physicians;
- the cost of the product;
- the prevalence and severity of side effects of the product; and
- the perceived advantages and disadvantages of the product relative to competing products or treatments.

If our products fail to attain market acceptance among the medical community, our business and profitability would be adversely affected.

If we fail to develop and commercialize new pharmaceutical products, our business prospects could be adversely affected.

Our long-term competitiveness depends on our ability to enhance our existing products and to develop and commercialize new biotechnology and other pharmaceutical products through our research and development activities. The development process of pharmaceutical products in general, and biopharmaceuticals in particular, is time-consuming and costly, and there can be no assurance that our research and development activities will enable us to successfully develop new pharmaceutical products. Since relatively few research and development programs in the pharmaceutical industry produce a commercially viable product, a product candidate that appears promising in the early phases of development may fail to reach the market for a number of reasons, such as:

- the failure to demonstrate safety and efficacy in preclinical and clinical trials;
- the failure to obtain approvals for its intended indications from relevant regulatory bodies, such as the CFDA;
- our inability to manufacture and commercialize sufficient quantities of the product economically; and
- proprietary rights, such as patent rights, held by others related to our product candidate and their refusal to sell or license such rights to us on reasonable terms, or at all.

New pharmaceutical products must be approved by the CFDA before they can be marketed and sold in China. The CFDA requires successful completion of clinical trials and demonstration of manufacturing capability before granting approval. Clinical trials are expensive and their results are uncertain. It often takes multiple years before a medicine can be ultimately approved by the CFDA. In addition, the CFDA and other regulatory authorities may apply new standards for safety, manufacturing, packaging, and distribution of future product candidates. Complying with such standards may be time-consuming and expensive and could result in delays in obtaining CFDA approval for our product candidates, or possibly preclude us from obtaining CFDA approval. Furthermore, our future products may not be effective or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude us from obtaining regulatory approval or prevent or limit their commercial use. Even if we do obtain regulatory approvals, the process may take longer than expected or desired, or such approvals may be subject to limitations on the indicated uses for which we may market the relevant product, therefore restricting its market size.

We have formed collaborative relationships with certain research institutes and companies to benefit from their expertise and resources in developing new and competitive products. However, there can be no assurance that we will be able to maintain such relationship or enter into new relationships. Any deterioration in our existing relationships or failure to enter into new relationships with suitable research partners on commercially acceptable terms may have an adverse impact on our ability to successfully develop new products, which in turn could adversely affect our business, results of operations and growth prospects.

We may pursue collaborations, in-licensing arrangements, joint ventures, strategic alliances, partnerships or other strategic investment or arrangements, which may fail to produce anticipated benefits and adversely affect our business.

We continually pursue opportunities for collaboration, in-licensing, joint ventures, acquisitions of products, assets or technologies, strategic alliances, or partnerships that we believe would be complementary to or promote our existing business. Proposing, negotiating and implementing these opportunities may be a lengthy and complex process. Other companies, including those with substantially greater financial, marketing, sales, technology, or other business resources, may compete with us for these opportunities or arrangements. We may not be able to identify, secure, or complete any such transactions or arrangements in a timely manner, on a cost-effective basis, on acceptable terms, or at all.

We have limited experience with respect to these business development activities. Management and integration of a licensing arrangement, collaboration, joint venture or other strategic arrangement may disrupt our current operations, decrease our profitability, result in significant expenses, or divert management resources that otherwise would be available for our existing business. We may not realize the anticipated benefits of any such transaction or arrangement.

Furthermore, partners, collaborators or other parties to such transactions or arrangements may fail to fully perform their obligations or meet our expectations or cooperate with us satisfactorily for various reasons, including risks or uncertainties related to their business and operations. There may be conflicts or other collaboration failures and inefficiencies between us and the other parties.

Such transactions or arrangements may also require actions, consents, approvals, waivers, participation or involvement of various degrees from third parties, such as regulators, government authorities, creditors, licensors or licensees, related individuals, suppliers, distributors, shareholders or other stakeholders or interested parties. We may not obtain such required or desired actions, consent, approval, waiver, participation or involvement on a timely basis, on acceptable terms, or at all.

If we are unable to conduct effective academic marketing or maintain a qualified sales force, our sales and business prospects could be adversely affected.

Successful sales and marketing are crucial for us to increase the market penetration of our existing products, expand our coverage of hospitals and other medical institutions and promote new products in the future. If we are unable to increase or maintain the effectiveness and efficiency of our sales and marketing activities, our sales and business prospects could be adversely affected.

In particular, our sales and marketing efforts are anchored by academic marketing, through which we promote our products to medical professionals and hospitals. Therefore, our sales and marketing force, whether in-house sales representatives or third-party promoters, must possess a relatively high level of technical knowledge, up-to-date understanding of industry trends, necessary expertise in the

relevant therapeutic areas and products, as well as sufficient promotion and communication skills. If we are unable to effectively train our in-house sales representatives and third-party promoters or monitor and evaluate their academic marketing performances, our sales and marketing may be less successful than desired.

Moreover, our ability to attract, motivate and retain qualified and professional sales force is especially important because we primarily rely on our in-house sales force to market and sell our core products, EPIAO and TPIAO, as well as IV Iron Sucrose. Competition for experienced marketing, promotion and sales personnel is intense. If we are unable to attract, motivate and retain a sufficient number of qualified and professional marketing, promotion and sales personnel, sales volumes of our products may be adversely affected and we may be unable to expand our hospital coverage or increase our market penetration as contemplated.

We may be subject to product liability claims, which could expose us to costs and liabilities and adversely affect our reputation, revenue and profitability.

The development and commercialization of pharmaceutical products entail inherent risks of harm to patients and we are therefore exposed to risks associated with product liability claims as a result of developing, producing, marketing, promoting and selling pharmaceutical products in the PRC and other jurisdictions in which our products are marketed and sold. Such claims may arise if any of our products are deemed or proven to be unsafe, ineffective, defective or contaminated or if we are alleged to have engaged in practices such as improper, insufficient or improper labelling of products or providing inadequate warnings or insufficient or misleading disclosures of side effects. There can be no assurance that we will not become subject to product liabilities claims or that we will be able to successfully defend ourselves against any such claims.

If a product liability claim is brought against us, it may, regardless of merit or outcome, result in damage to our reputation, breach of contract with our customers, decreased demand for our products, costly litigation, product recalls and loss of revenue and capability to commercialize our products. If we are unable to defend ourselves against such claims in the PRC, among other things, we may be subject to civil liability for physical injury, death or other losses caused by our products and to criminal liability and the revocation of our business licenses if our products are found to be defective. In addition, we may be required to recall the relevant products, suspend sales or cease sales. Other jurisdictions in which our products are, or may in the future be, sold, in particular in developed markets including the United States, may have similar or more onerous product liability and pharmaceutical product regulatory regimes, as well as more litigious environments that may further expose us to the risk of product liability claims. Even if we are able to successfully defend ourselves against any such product liability claims, doing so may require significant financial resources and the time and attention of our management.

Existing PRC laws and regulations do not require us to, nor do we, maintain liability insurance to cover product liability claims. Any product liability insurance for clinical trials, when obtained, may be prohibitively expensive, or may not fully cover our potential liabilities. The inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of products that we or our collaborators develop.

If our products are not produced to the necessary quality standards, our business and reputation could be harmed, and our revenue 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 the section headed "Business—Quality Control and Assurance" in this prospectus 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.

In addition, when we expand our manufacturing capacity in the future, we may not be able to ensure consistent quality between our products manufactured in our existing and new facilities, or need to incur substantial costs for doing so. Furthermore, if we acquire other biotechnology or pharmaceutical companies, we may not be able to immediately ensure that their manufacturing facilities and processes will meet our own quality standards.

Moreover, our chemical pharmaceutical products, including IV Iron Sucrose and Gan Xin, are currently produced by third-party manufacturers. Despite our guidelines and binding agreements with these third-party manufacturers, they may fail to meet the necessary quality standards and we may fail to prevent the defective products from being delivered to end-users. In addition, if these third-party manufacturers fail to produce any of their other products in accordance with the necessary quality standards, their reputation could be harmed, which will in turn adversely affect our reputation and sales of our products produced by these manufacturers.

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

If our products cause, or are perceived to cause, severe side effects, our revenue and profitability could be adversely affected.

Our products may cause undesirable or unintended side effects as a result of a number of factors, many of which are outside our control. These factors include potential side effects not revealed in clinical testing, unusual but severe side effects in isolated cases, defective products not detected by our quality management system or misuse of our products by end-users. Our products may also be perceived to cause severe side effects when a conclusive determination as to the cause of the severe side effects is not obtained or is unobtainable.

In addition, our products may be perceived to cause severe side effects if other pharmaceutical 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 the CFDA or the USFDA, or an international institution, such as the WHO, determines that products containing the same or similar pharmaceutical ingredients as our products' could cause or lead to severe side effects. For example, in March 2007, the USFDA issued a warning that aggressive use of EPO-stimulating agents to raise hemoglobin to a target of 12 g/dL or higher may be associated with severe side effects. At the request of the USFDA, the manufacturers of rhEPO products in the United States added a black-box safety warning to their package labels.

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;
- revocation of regulatory approvals for the relevant products or the relevant production facilities;
- damage to the brand name of our products and the reputation of our Company;
- removal of relevant products from PRC medical insurance catalogues; and
- exposure to lawsuits and regulatory investigation relating to the relevant products that result in liabilities, fines or penalties.

As a result of these consequences, our sales and profitability could be adversely affected.

If our brands fail to maintain a positive reputation, many aspects of our business and our business prospects could be adversely affected.

We believe that market awareness and recognition of our brands, particularly Shenyang Sunshine, EPIAO and TPIAO, have contributed significantly to the success of our business. We also believe that maintaining and enhancing these brands is critical to maintaining our competitive advantage.

While we will continue to promote our brands to remain competitive, we may not be successful in doing so. In addition, we may expand our network of third-party promoters to increase our marketing efforts. It may be difficult to effectively manage our brand reputation as we have relatively limited control over these third-party promoters.

If we are unable to maintain or enhance our brand recognition and increase awareness of our products, or if we incur excessive marketing and promotion expenses to do so, our business and results of operations may be materially and adversely affected.

If our third-party promoters fail to effectively market and promote our products, we may not be able to effectively penetrate the lower-tier markets in China, and our future business growth may be adversely affected.

We intend to expand our network of third-party promoters to further penetrate lower-tier markets in China. We plan to primarily rely on third-party promoters to market certain of our products, including two products we recently added to our portfolio, SEPO and Sparin, as a result of our acquisition of Sciprogen. If we fail to expand or effectively manage our third-party promotion network, or if we fail to integrate Sciprogen's third-party promoter network with our original network in a timely manner, we may be unable to extend our coverage and increase our market penetration as contemplated by our strategies, or enjoy the benefits of operational flexibility and resource allocation as expected or desired.

We have relatively limited control over third-party promoters, some of which may fail to effectively promote our products, causing an adverse effect on sales volumes of the relevant products, as well as our brand reputation. Moreover, our agreements with our third-party promoters are typically for a fixed period. Our third-party promoters may elect not to renew their promotion agreements with us or otherwise to terminate their business relationships with us for a number of reasons, many of which are outside our control, including promoting competing products. In the event that our third-party promoters fail to effectively promote our products or terminate their business relationship with us, there can be no assurance that we will be able to enter into similar relationships with other third party promoters in time, or at all. As a result, our sales for the relevant products, especially the penetration rate of these products and our business growth in the lower-tier markets, could be adversely affected.

If we fail to maintain an effective distribution network for our products, our business and sales of the relevant products could be adversely affected.

We rely on our network of distributors to distribute our products. Our ability to maintain and grow our business will depend on our ability to maintain and manage a distribution network that timely delivers our products in all of the provinces, municipalities and autonomous regions in China where we generate market demand through our sales and marketing activities. However, our distributors are third parties over whom we have relatively limited control. Our distributors may fail to distribute our products in the manner we contemplate, impairing the effectiveness of our distribution network. Since our distributors do not sell our products on an exclusive basis, our products also compete with similar products from our competitors sold by our distributors.

While we have long-standing business relationships with most of our distributors, we do not have long-term contracts with any distributor except those for our export sales. We typically enter into agreements with our distributors for a term of one year, which requires us to continually renew distribution agreements across our distribution network to maintain such business relationships. Our distributors might elect not to renew their agreements with us or otherwise terminate their business relationships with us for various reasons. For example, if PRC price controls or other factors substantially reduce the margins they can obtain through the resale of our products to hospitals, medical institutions and sub-distributors, they may terminate their agreements with us. If any of our significant distributors (or a significant number of our distributors) voluntarily or involuntarily suspend or terminate their relationships with us, or we are otherwise unable to maintain and expand our distribution network effectively, our sales volumes and business prospects could be adversely affected.

We are dependent on our production facilities in Shenyang and Shenzhen to manufacture a substantial majority of our products.

Substantially all of our revenue has been, and in the near future will continue to be, generated by sales of products manufactured at our Shenyang and Shenzhen production facilities. The continued operation of our production facilities can be substantially interrupted due to a number of factors, many of which are outside of our control, including fire, flood, earthquakes, power outages, fuel shortages, mechanical breakdowns, terrorist attacks and wars, or other natural disasters, as well as loss of permits, licenses and certificates, changes in governmental planning for the land underlying these facilities and regulatory changes. If we suffer substantial disruption to the operation of our Shenyang or Shenzhen facilities, our business could be adversely affected.

If the operation of any of our production facilities is substantially disrupted, we may not be able to replace the equipment or inventories at such facility, or use a different facility or a third party contractor to continue our production in a legal, timely and cost-effective manner or at all. Although we maintain property insurance for our production facilities and equipment, we do not maintain business interruption insurance and the amount of our insurance coverage may not be sufficient to cover our losses in the event of a significant disruption to any of our production facilities. In addition, there are certain types of losses, such as losses from war, acts of terrorism, earthquakes, typhoons,

flooding and other natural disasters for which we cannot obtain insurance at a reasonable cost or at all. As a result of disruption to any of our facilities, we may all fail to fulfil contract obligations or meet market demand for our products, and our business, revenue and profitability could be adversely affected.

Certain of our raw materials, medical devices and components are single-sourced from third parties; third-party supply failures could adversely affect our ability to supply our products.

Certain raw materials and devices necessary for the manufacturing and formulation of our products are provided by single-source unaffiliated third-party suppliers, some of which are the proprietary products of these unaffiliated third-party suppliers. We may not be able to obtain these raw materials, medical devices or components for an indeterminate period of time if these third-party single-source suppliers were to cease or interrupt production or otherwise fail to supply these materials or products to us for any reason, including regulatory requirements or actions, adverse financial developments of the suppliers, and/or unexpected demand, labor shortages or disputes. Furthermore, we may not be able to identify suitable replacement for these materials, devices and components on reasonable terms or at all if such supply was subsequently found to not be in compliance with our quality standards or resulted in quality failures or product contamination and/or recall when used to manufacture, formulate, fill or finish our products. These events could adversely affect our ability to satisfy demand for our products, which could materially and adversely affect our product sales and operating results.

We may grow our business through acquisitions; if we fail to identify suitable targets and complete planned acquisitions, our business prospects may be adversely affected.

We intend to accelerate our business growth through selective acquisitions of suitable pharmaceutical companies. However, our ability to consummate acquisitions is subject to a number of risks and uncertainties. For example,

- we may not be able to identify suitable acquisition targets and reach agreement on acceptable terms;
- we may not have access to financing for acquisitions on acceptable terms;
- we may fail to obtain the governmental approvals and third party consents necessary to consummate any proposed acquisition; and
- we may have to engage in intense competition for attractive acquisition targets, which may make it difficult to consummate acquisitions on commercially acceptable terms.

Moreover, the process of seeking and consummating acquisitions, whether or not they are successful, may divert our resources and management attention from our existing businesses and impair our ability to successfully manage and grow our business organically.

As part of our acquisition strategy, we may seek to acquire overseas pharmaceutical companies. We have limited experience in evaluating and completing acquisitions of overseas pharmaceutical companies. Consequently, any acquisitions we seek to consummate overseas may expose us to greater execution risks and higher transaction costs than the domestic PRC acquisitions we may pursue.

If we fail to successfully integrate our recently acquired subsidiaries or any future targets into our own operations, our post-acquisition performance and business prospects may be adversely affected.

In December 2014, we acquired Sciprogen and Sirton to expand our product portfolio, broaden our market coverage and establish our footprint in Europe. However, there can be no assurance that we will be able to integrate these subsidiaries to achieve the expected synergies with our existing operations and to fulfill the contemplated purposes of these acquisitions. In particular, Sirton is incorporated in Italy, which brings about higher integration risks because we have limited experience with business conduct and integration, or rules and regulations in Italy and Europe.

Additionally, the recently acquired subsidiaries or any future acquired targets may not provide us with the intellectual property rights, technology, research and development capability, production capacity or sales and marketing infrastructure we had anticipated, or they may be subject to unforeseen liabilities. We may be unable to successfully increase the efficiencies of the acquired businesses in the manner we contemplated or devote more resources and management attention than desirable to the integration and management of acquired businesses. Hence, there can be no guarantee that we will be able to enhance our post-acquisition performance or grow our business through our recent or future acquisitions.

If we fail to effectively expand our international business, our business prospects may be adversely affected.

In 2014, we exported our products to 13 countries, and we plan to expand our international business. However, our limited experience in overseas markets may expose us to risks and uncertainties, including:

- the risks associated with dealing with regulatory regimes, regulatory bodies and government policies which may differ materially from those in the PRC or with which we may be unfamiliar;

- the risks associated with the substantial time which may be required for us to obtain approval for registering and selling our products in additional countries, especially in developed countries;

- the risks associated with commercializing our products in new markets where we have limited experience with the dynamics and no sales and marketing infrastructure;

- the risks associated with higher costs for new product development and reliance on overseas partners for the development, commercialization and marketing of our products; and

- the increased risk of product liability litigation and regulatory scrutiny arising from the marketing and sale of products in overseas markets and the costs incurred dealing with such procedures, as well as our ability to obtain insurance to adequately protect us from any resulting liabilities.

For instance, our acquisition and continuous operation of Sirton will expose us to risks associated with dealing with regulatory regimes and regulatory bodies in Italy and Europe, including stringent labor laws and product liability laws, as well as unfamiliar corporate and bankruptcy laws, medicine manufacturing regulation and standards, and laws and regulations on environment, real property, intellectual property, dispute resolution and tax.

Our plans of international expansion may require significant investment but may fail to generate the level of returns we expected. If we are unable to expand our international business effectively or at all, our business prospects may be adversely affected.

Our business depends on our key senior management members and research and development personnel; if we lose any of them and are unable to find proper replacements in a timely fashion, our business prospects could be adversely affected.

We are highly dependent on our senior management to manage our business and operations, and on our key research and development personnel to develop new products, technologies and applications and to enhance our existing products. In particular, we rely substantially on our president, chairman of the Board and chief executive officer, Dr. Lou, to manage our operations. We also depend on our key research and development personnel such as Ms. Su, who co-invented four of our patents and leads our research and development team. We do not have key man life insurance on any of our senior management or key personnel. The loss of any one of them, in particular Dr. Lou, would have a material adverse effect on our business and operations.

We compete for qualified personnel with other pharmaceutical and biotechnology companies, universities and research institutions. The pool of suitable candidates is limited, and we may be unable to locate a suitable replacement for any senior management or key research and development personnel that we lose. Intense competition for these personnel could cause our compensation costs to increase significantly, which could have a material adverse effect on our results of operations. Our future success and ability to grow our business will depend in part on the continued service of these individuals and our ability to identify, hire and retain additional qualified personnel. If we are unable to attract and retain qualified employees, we may be unable to meet our business and financial goals.

If we experience delays in collecting payments from distributors, our cash flows and operations could be adversely affected.

We generally grant credit terms between 60 and 90 days to our distributors, but longer terms to certain creditworthy distributors. As of December 31, 2012, 2013 and 2014, our trade receivables were RMB117.8 million, RMB147.3 million and RMB227.4 million, respectively. The average turnover days of our trade receivables for the same periods were 65 days, 55 days and 60 days, respectively. If our distributors' cash flows, working capital, financial condition or results of operations deteriorate,

they may be unable, or they may otherwise be unwilling, to pay trade receivables owed to us promptly or at all. Any substantial defaults or delays could materially and adversely affect our cash flows, and we could be required to terminate our relationships with distributors in a manner that will impair the effective distribution of our products.

Counterfeits of our products could negatively affect our sales, damage our reputation and the brand names for the relevant products and expose us to liability claims.

Certain products distributed or sold in the pharmaceutical market may be manufactured without proper licenses or approvals, or are fraudulently mislabeled with respect to their content or manufacturers. These products are generally referred to as counterfeit pharmaceutical products. The counterfeit pharmaceutical product control and enforcement system, particularly in developing markets such as the PRC, may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit pharmaceutical products imitating our products. Since counterfeit pharmaceutical products in many cases have very similar appearances compared with the authentic pharmaceutical products but are generally sold at lower prices, counterfeits of our products can quickly erode our sales volume of the relevant products. Moreover, counterfeit products may or may not have the same chemical composition as our products do, which may make them less effective than our products, entirely ineffective or more likely to cause severe adverse side effects. This could expose us to negative publicity, reputational damage, fines and other administrative penalties, and may even result in litigation against us. The existence and prevalence of counterfeit pharmaceutical products, products of inferior quality and other unqualified products in the healthcare markets in recent years from time to time may reinforce the negative image in general of all pharmaceutical products manufactured in the PRC or other relevant markets among consumers, and may harm the reputation and brand names of companies like us, particularly in overseas markets. As a result of these factors, the continued proliferation of counterfeit pharmaceutical products in the market could affect our sales, damage our reputation and the brand names for the relevant products and expose us to liability claims.

Failure to adequately protect our intellectual property rights may have a material adverse impact on our business and results of operations.

Our intellectual property, including but not limited to our patents, trademarks, trade secrets and know-how, is critical to our success. Our business depends, in part, on our ability to protect our products from competition by establishing, maintaining and enforcing intellectual property rights. We protect our intellectual property rights by filing patent applications, securing pharmaceutical regulatory protection, establishing and enforcing confidentiality contractual obligations, relying on trade secrets, or employing a combination of these methods. However, the measures we take may not be adequate for a number of reasons, including those described below, some of which are beyond our control.

The process of seeking patent protection can be lengthy and expensive, and there can be no assurance that any of our pending patent applications, or any patent applications we may make in the future in respect of other products, will mature into issued patents, or that such patents, if issued, will be able to provide us with meaningful protection or commercial advantage. Any patent issued to us may be challenged, invalidated or circumvented. There are a number of factors that could cause our existing patents or other intellectual property to become invalid or unenforceable, including known or

unknown prior art, deficiencies in patent applications and lack of originality in the underlying technologies. Furthermore, the patents that we hold are for a finite duration. Following the expiration of the relevant patents, our existing or future competitors may be able to develop and introduce direct substitute products to our key products which may be identical in formulation.

Intellectual property rights and confidentiality protection in China may not be as effective as in the United States or other developed countries, due to, among other causes, lack of procedural rules for discovery and evidence, low damage awards and lack of judicial independence. Policing unauthorized use of proprietary technology is difficult and expensive, and we might need to resort to litigation to enforce or defend patents issued to us or to determine the enforceability, scope and validity of our proprietary rights or those of others. The experience and capabilities of PRC courts in handling intellectual property litigation vary, and outcomes may be unpredictable. Furthermore, such litigation may require significant cash expenditure and management efforts. An unfavorable determination in any such litigation could materially impair our intellectual property rights and may harm our business, prospects and reputation.

If for any of the above or other reasons we fail to adequately protect our intellectual property, competitors may be able to imitate our products, use our technologies and erode or negate any competitive advantages we may have, which could harm our business and profitability.

We may become subject to intellectual property infringement claims, which could divert our management's attention, impair our ability to sell our products and expose us to costs and liabilities.

Our commercial success depends significantly on our ability to operate without infringing the patents and other proprietary rights of third parties. The risk of being subject to intellectual property infringement claims will increase as we continue to expand our operations and diversify our product offerings. Under the PRC Patent Law (中華人民共和國專利法) promulgated by the Standing Committee of the National People's Congress on March 12, 1984, as amended on September 4, 1992, August 25, 2000 and December 27, 2008, patent applications are maintained in confidence until their publication at the end of 18 months from the filing date (although they may be published earlier at the request of the applicant). The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and the date on which patent applications are filed. China adopts the first-to-file system under which who first files a patent application (instead of who makes first actual discoveries) will be awarded the patent. Under the first-to-file system, even after reasonable investigation we may be still unable to determine with certainty whether any of our products, processes, technologies, inventions, improvement and other related matters have infringed upon the intellectual property rights of others, because such third party may have filed a patent application without our knowledge while we are still developing that product, and the term of patent protection starts from the date when the patent was filed, instead of the date when it was issued. Therefore, the validity of issued patents, patentability of pending patent applications and applicability of any of them to our programs may be lower in priority than third party patents issued on a later date if the application for such patents were filed prior to ours and the technologies underlying such patents are the same or substantially similar to ours. If any intellectual property claims are asserted against us, our ability to commercialize our products could be adversely affected.

In Europe, patents are protected under a range of legislations, including the European Patent Convention of 1973, European Union directives and regulations and the national patent laws enforced by individual European nations. As we continue to expand our footprint in Europe, we may be exposed to greater risks of infringement claims, because it is challenging to navigate through the complex and unfamiliar legislative regime of patent protection, and difficult to predict and adapt to the uncertainties associated with the different standards and procedures enforced by individual European nations.

If a third party claims that we infringe its proprietary rights, one or more of the following may occur:

- we may become involved in time-consuming litigation, which could divert our management's attention, consume significant management resources, and result in significant legal costs;

- we may become liable for substantial damages for past infringement if a court decides that our technology infringes upon a third party's patent;

- if such claims are successful, a court may prohibit us from selling or licensing our product without a license from the patent holder, which may not be available on commercially acceptable terms, if at all, or which may require us to pay substantial royalties or grant cross licenses to our patents;

- we may have to reformulate our product so that it does not infringe patent rights of others, which may not be possible or could be very expensive and time-consuming;

- we may be forced to discontinue production and sales of the affected products and may be required to compensate the claimant for any alleged infringement.

Although to date we have not experienced any of the circumstances listed above, if any of these events occurs, our business will be adversely affected.

If we or parties on whom we rely fail to comply with the laws and regulations related to, or maintain the necessary licenses for, the development, production, sales and distribution of our products, our ability to conduct our business could be materially impaired.

The pharmaceutical industry is subject to extensive government regulation and supervision. We are governed by various local, regional and national regulatory regimes in various aspects of our operations, including licensing and certification requirements and procedures for manufacturers of pharmaceutical products, operating and safety standards, as well as environmental protection regulations. There can be no assurance that the legal framework, licensing and certification requirements or enforcement trends in our industry will not change in a manner that may result in increased costs of compliance, or that we will be successful in responding to such changes. In addition, we are subject to the risk of adverse changes to favorable policies from which we currently benefit, and the introduction of unfavorable policies. The costs we incurred to comply with these laws

and regulations, including those related to environmental protection, may materially increase our total costs and decrease our profit. Any violation of these laws, rules or regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our production facilities and obligations to take corrective measures.

We are also required to obtain, maintain and renew various permits, licenses and certificates to develop, produce, promote and sell our products. Third parties, such as distributors, third party promoters and third-party manufacturers, on whom we may rely to develop, produce, promote, sell and distribute our products may be subject to similar requirements. We and third parties on whom we rely may be also subject to regular inspections, examinations, inquiries or audits by the regulatory authorities, and an adverse outcome of such inspections, examinations, inquiries or audits may result in the loss or non-renewal of the relevant permits, licenses and certificates. Moreover, the criteria used in reviewing applications for, or renewals of permits, licenses and certificates may change from time to time, and there can be no assurance that we or the parties on whom we rely will be able to meet new criteria that may be imposed to obtain or renew the necessary permits, licenses and certificates. Many of such permits, licenses and certificates are material to the operation of our business, and if we or parties on whom we rely fail to maintain or renew material permits, licenses and certificates, our ability to conduct our business could be materially impaired. Furthermore, if the interpretation or implementation of existing laws and regulations change, or new regulations come into effect, requiring us or parties on whom we rely to obtain any additional permits, licenses or certificates that were previously not required to operate our business, there can be no assurance that we or parties on whom we rely will successfully obtain such permits, licenses or certificates.

For more information, please refer to section headed "Regulations" in this prospectus.

We may be subject to penalties and administrative punishment due to our direct lending to DaVita JV.

In 2012 and 2013, Shenyang Sunshine and Liaoning Sunshine Technology directly extended a total of seven loans to DaVita JV and three medical institutions managed by DaVita JV with a total principal amount of RMB11.4 million to support their operations. As advised by our PRC Legal Advisor, under the General Lending Provisions (《貸款通則》) promulgated by the PBOC in 1996, companies engaging in direct lending activities could be subject to a penalty between one to five times of the income generated from such activities. Based on the expected termination dates and the effective interest rates of these loans agreed upon between DaVita JV and us, the maximum potential penalty we could be subject to is RMB7.5 million. For further detail of this non-compliance incident and the rectification measures we have taken, please refer to the section headed "Business—Legal Proceedings and Compliance—Direct Lending to DaVita JV" in this prospectus. Although Dr. Lou, one of our Management Controlling Shareholders, has undertaken to fully indemnify us should we be subject to any penalty due to this non-compliance incident, we may be subject to administrative punishment by relevant PRC authorities. Furthermore, we cannot assure you that disputes will not arise between DaVita JV and us regarding the loan agreements between us. If any of the above occurs, our management's attention may be diverted and our business may be adversely affected.

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

We are subject to national and local environmental laws and regulations of the PRC. During our manufacturing processes, we must comply with PRC laws and regulations concerning the discharge of air, water and solid waste as well as noise control. In addition, manufacturers engaging in any new construction project must prepare an environmental impact study report setting forth the potential environmental impact of the proposed construction project and proposing measures to prevent or mitigate such impact for approval by the government authority prior to the commencement of new construction project. Please refer to the section headed "Regulations—PRC Laws and Regulations Relating to Environmental Protection" in this prospectus for details on PRC environmental laws and regulations we are subject to.

We may not at all times comply fully with environmental regulations. Any violation of these regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our facilities and obligation to take corrective measures. Costs of complying with current and future environmental protection laws and regulations and liabilities that may potentially arise from the discharge of effluent water and solid waste may adversely affect our business, financial condition and results of operations.

As of the Latest Practicable Date, Sciprogen, a subsidiary we acquired in December 2014, was not in full compliance with PRC environmental laws and regulations. Sciprogen failed to submit environmental impact assessment studies before commencing the construction of its Sparin production facilities and expansion of its SEPO production facilities in Shenzhen. Sciprogen also failed to apply for the requisite completion inspection of environmental protection facilities and obtain a pollutant discharge permit for its production facilities. According to our PRC Legal Advisor, due to these non-compliance incidents, Sciprogen could be subject to penalties of up to RMB1.2 million and be ordered by relevant government authorities to suspend production at its Shenzhen facilities until the non-compliance is rectified. For further detail of these non-compliance incidents and the rectification measures we have taken, please refer to the section headed "Business—Legal Proceedings and Compliance—Environmental protection procedures required for Sciprogen production facilities in Shenzhen" in this prospectus. If we are unable to rectify this non-compliance in a timely manner, Sciprogen may be subject to fines or required to suspend operation at its Shenzhen facilities, which could adversely affect our business and results of operations.

The regulatory authorities in China may impose fines on us or reclaim our land if we fail to comply with the terms of the land grant contracts.

Under PRC laws and regulations, if we fail to develop a property project according to the land use rights grant contract, including provisions relating to the time for commencement and completion of property development, the PRC government may, among other things, issue a warning, impose a penalty, or reclaim our land. If we fail to commence development for over one year from the commencement date stipulated in the land grant contract, the land authorities may impose an idle land fee of up to 20% of the land premium. If we fail to commence development for over two years, the

land is subject to forfeiture unless the delay in development is caused by government actions or by force majeure. Moreover, if we suspend the development of a piece of land for over one year, or if we have developed less than one-third of such land or have invested less than one-fourth of the total investment amount stipulated in the land grant contract, such land will still be viewed as idle land.

Guangdong Sciprogen, a subsidiary we acquired in December 2014, did not commence or complete construction on a parcel of land in Dongguan, Guangdong (the "**Songshanhu Land**") according to the terms stipulated in the land use right grant contract with the Dongguan government. On October 29, 2014, the Dongguan Land Bureau and Resources Bureau (the "**Land Bureau**") issued a letter to Guangdong Sciprogen declaring that the Songshanhu Land became idle as of February 28, 2013. According to our PRC Legal Advisor, due to such non-compliance, Guangdong Sciprogen could be subject to penalties and fines of up to RMB42.1 million based on the current estimated completion timetable. In addition, should the Songshanhu Land remain idle for two years, the Dongguan municipal government could reclaim its land use right without compensation. On December 15, 2014, the Land Bureau notified Guangdong Sciprogen that it planned to apply to the Dongguan municipal government for reclaiming Guangdong Sciprogen's land use right without compensation. Please refer to the section headed "Business—Legal Proceedings and Compliance—Idle land" in this prospectus for further details. As of March 31, 2015, we had incurred approximately RMB7.0 million for building construction on the Songshanhu Land. If the Songshanhu Land is reclaimed by the government, we may need to incur demolition costs estimated to be approximately RMB300,000. Although the pre-acquisition shareholders of Sciprogen have agreed to indemnify us against 80% of all losses suffered by us resulting from the abovementioned non-compliance, they may refuse or not be able to do so. Furthermore, if the Songshanhu Land is reclaimed by the government, we may need to identify and acquire the land use right at another location for Sciprogen's production expansion project, which may adversely affect our business, financial condition and results of operations.

We are subject to extensive governmental approvals and compliance requirements for our land and properties.

For our production facilities and other premises, we must obtain various permits, certificates and other approvals from the relevant administrative authorities at various stages of property development, including, for example, planning permits, construction permits, land use rights certificates, certificates for passing environmental assessments, certificates for passing fire control assessments, certificates for passing construction completion inspections and ownership certificates. We have encountered, and may in the future encounter, problems with fulfilling the conditions precedent to the receipt of certain of those permits, certificates and approvals, and we may not always be able to obtain them in a timely manner, or at all.

As of the Latest Practicable Date, we were still in the process of obtaining the ownership certificates for certain owned properties, and we had not registered the leases for seven offices (including two rented offices leased between our Subsidiaries) with a total gross floor area of 1,593 square meters. For more information, please refer to the section headed "Business—Land and Properties" in this prospectus. If we are not able to obtain the above certificates and registrations in a timely manner, we may become subject to administrative fines and other penalties, which could disrupt our business and cause us to incur additional expenses.

We had net current liabilities as of December 31, 2014.

We had net current liabilities of RMB309.3 million and RMB138.3 million as of December 31, 2014 and April 30, 2015, respectively. Please refer to the section headed "Financial Information—Net Current Assets/(Liabilities)" for detailed analysis of our net current liabilities position. We cannot assure you that we will be able to improve our liquidity and record net current assets. If we continue to have net current liabilities, we may face a shortfall of working capital and may not be able to fully service our short term bank borrowings. Any of these events could have a material adverse impact on our financial condition and results of operation. For information relating to our working capital, please refer to the section headed "Financial Information — Working Capital" in this prospectus.

If we become a party to litigations, legal disputes, claims or administrative proceedings, such involvement may divert our management's attention and result in costs and liabilities.

We may from time to time become a party to various litigations, legal disputes, claims or administrative proceedings arising in the ordinary course of our business. On-going litigations, legal disputes, claims or administrative proceedings may divert our management's attention and consume their time and our other resources. Furthermore, any litigations, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved.

Negative publicity arising from litigations, legal disputes, claims or administrative proceedings may damage our reputation and adversely affect the image of our brands and products. In addition, if any verdict or award is rendered against us, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business ventures or projects. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

If we suffer failure or disruption in our information systems, our ability to effectively manage our business operations could be adversely affected.

We make use of information systems to obtain, process, analyze and manage data. We use these systems to, among other things, monitor the daily operations of our business, maintain operating and financial data, manage our distribution network and third party promoters as well as manage our production operations and quality control systems. Any system damage or failure that interrupts data input, retrieval or transmission or increases service time could disrupt our normal operations. There can be no assurance that we will be able to effectively handle a failure of our information systems, or that we will be able to restore our operational capacity in a timely manner to avoid disruption to our business. The occurrence of any of these events could adversely affect our ability to effectively manage our business operations. In addition, if the capacity of our information systems fails to meet the increasing needs of our expanding operations, our ability to expand may be constrained.

If we do not have access to sufficient funding for the implementation of our strategies and other aspects of our business, our business prospects could be affected.

The implementation of many aspects of our strategies will require significant funding, including:

- the expenses associated with expanding our sales and distribution network;
- the costs of drug development programs for the expansion and diversification of our portfolio;
- the funding required to consummate acquisitions and integrate acquired businesses;
- the costs and expenditures required to grow our business internationally through drug development programs for overseas markets; and
- the capital expenditure required to increase our production capacity and to upgrade and enhance our facilities.

In addition, many aspects of our general business operations have on-going funding requirements that may increase over time.

We expect that the implementation of our strategies and business plans will require us to rely in part on external financing sources. However, our ability to obtain external financing on commercially reasonable terms will depend on a number of factors, many of which are outside of our control, including our financial condition, results of operations and cash flows, the economic conditions in the PRC, industry and competitive conditions, interest rates, prevailing conditions in the credit markets and government policies on lending. If we cannot obtain sufficient external financing on commercially acceptable terms to implement our strategies and business plans as currently contemplated, we could be required to revise our strategies and business plans, which could adversely affect our business prospects.

Our business benefits from certain preferential tax and financial incentives, the expiration of or changes to which could adversely affect our profitability.

We currently benefit from certain preferential tax treatments, as well as tax concessions in relation to our research and development costs. In particular, Shenyang Sunshine qualified as a High and New Technology Enterprise over the Track Record Period. As a result, Shenyang Sunshine has benefited from a preferential PRC income tax rate of 15%, compared with the 25% income tax rate generally applicable to PRC tax resident enterprises under the EIT Law. Shenyang Sunshine's qualification as a High and New Technology Enterprise will expire at the end of 2016. We plan to renew Shenyang Sunshine's qualification in due course. In addition, currently Sciprogen also qualifies as a High and New Technology Enterprise and enjoys a preferential PRC income tax rate of 15%. Sciprogen's preferential income tax treatment expired at the end of 2014. Sciprogen is currently in the process of renewing its qualification as a High and New Technology Enterprise. Based on our self-assessment, we believe that Sciprogen continues to meet the requirements for being a High and New Technology Enterprise, and we expect the renewal process to be completed in the fourth quarter

of 2015. A successful renewal would allow Sciprogen to enjoy the 15% preferential income tax rate for three additional years from 2015 to 2017. However, if Sciprogen or Shenyang Sunshine fails to renew its qualification as a High and New Technology Enterprise, its applicable enterprise income tax rate would increase to 25%, which may have a material adverse effect on our financial condition and results of operations.

In addition, the current or future preferential tax treatments, tax concessions, tax allowances and financial incentives applicable to our Company or our subsidiaries may be changed, terminated, or otherwise become unavailable due to many factors, including changes in government policy or administrative decisions by relevant government authorities. For example, on November 27, 2014, the State Council issued the Notice on Cleaning Up and Regulating Taxation and Other Preferential Policies (《國務院關於清理規範税收等優惠政策的通知》) (the "**Preferential Policies Notice**"), which required local governments and government agencies to review and clean up the preferential policies they have promulgated, and to abolish preferential policies that are in violation of state laws and regulations. On May 10, 2015, the State Council issued a notice suspending the clean-up of preferential policies set out in the Preferential Policies Notice until further notice. In 2012, 2013 and 2014, we recorded government grants income in the amounts of RMB0.9 million, RMB3.0 million and RMB7.0 million, respectively. Due to the Preferential Policies Notice and further potential changes in government policies, we cannot be certain of the level of government grants we will receive in the future. Our post-tax profitability and cash flows may be adversely affected as a result of one or more of these or other factors.

Risks Related To Doing Business In China

Adverse changes in political, economic and other policies of the Chinese government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our products; and could otherwise materially and adversely affect our business, operations or competitive position.

Substantially all of our operations are located in China, and substantially all of our sales are made in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China.

The Chinese economy differs from the economies of most developed countries in many respects, including, but not limited to:

- the extent of government involvement;
- the level of development;
- the growth rate;
- the control of foreign exchange;
- the allocation of resources;

- an evolving regulatory system; and
- the level of transparency in the regulatory process.

While the Chinese economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically, among various sectors of the economy, and during different periods. The Chinese economy may not continue to grow, and if there is growth, such growth may not be steady and uniform; and if there is a slowdown, such a slowdown may have a material negative effect on us.

The Chinese government implements various measures intended to encourage economic growth and guide the allocation of resources. These measures may include differential policies towards specific groups of pharmaceutical companies, such as promotion of traditional medicines or state-owned companies, or investments in biopharmaceutical companies competing against us, which may have an adverse effect on us. Our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. Further, any adverse change in the economic conditions or government policies in China could have a material adverse effect on overall economic growth and the level of healthcare investments and expenditures in China, which in turn could lead to a reduction in demand for our products and consequently have a material adverse effect on our businesses.

The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Although the Chinese government has implemented reform measures allowing more free play of market forces, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of the productive assets in China is still owned by the Chinese government. The continued control of these assets and other aspects of the national economy by the Chinese government could materially and adversely affect our business. The Chinese government also exercises significant control over Chinese economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Changes and developments in China's economic, political and social conditions could adversely affect our financial condition and results of operations. For example, the pharmaceutical market may grow at a slower pace than expected; an outbreak of avian flu, SARS, swine influenza or other epidemics in China could adversely affect our business, financial condition or results of operations.

Future changes in laws, regulations or enforcement policies in China could adversely affect our business.

Laws, regulations or enforcement policies in China, including those regulating healthcare and the pharmaceutical industry, are evolving and subject to frequent changes. Further, regulatory agencies in China may periodically, and sometimes abruptly, change their enforcement practices. Therefore, prior enforcement activity, or lack of enforcement activity, is not necessarily predictive of future actions. Any enforcement actions against us could have a material adverse effect on us. Any litigation or governmental investigation or enforcement proceedings in China may be protracted and may result in substantial cost and diversion of resources and management attention, negative publicity, and damage to reputation. In addition, such changes may be applied retroactively and thus subject our business and operations to increased uncertainties and risks.

There are significant uncertainties under the EIT Law of the PRC, with respect to our PRC enterprise income tax liabilities, and with respect to possible PRC withholding tax upon our shareholders.

There are significant uncertainties under the EIT Law, which came into effect on January 1, 2008, and its implementation rules.

Under the EIT Law and its implementation rules, enterprises organized under the laws of jurisdictions outside the PRC with their "de facto management bodies" located within the PRC may be considered "PRC resident enterprises" and subject to a uniform 25% PRC income tax on their worldwide income. The implementation rules to the EIT Law define the term "de facto management body" as "body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise". The Notice on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in accordance with Criteria for Determining Place of Effective Management (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) and the Administrative Measures on the Corporate Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》) issued in April 2009 and July 2011, respectively, set out certain criteria for what constitutes a "de facto management body" in respect of enterprises that are established offshore by PRC enterprises, which could be applied in determining the tax resident status of non-PRC enterprises, regardless of whether they are established by PRC enterprises.

As substantially all of the operational management of our Company is currently based in the PRC, we, our Hong Kong subsidiary and other offshore subsidiaries may be deemed to be "PRC resident enterprises" for the purpose of the EIT Law. If we, our Hong Kong subsidiary or other offshore subsidiaries are deemed PRC resident enterprises, we could be subject to the EIT at 25% on our global income, except that the dividends we receive from our PRC subsidiaries may be exempt from the EIT to the extent such dividend income constitutes "dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise." It is, however, unclear what type of enterprise would be deemed a "PRC resident enterprise" for such purposes. If we are deemed a PRC resident enterprise and earn significant income other than exempted dividends from our PRC subsidiaries, the EIT on our global income could significantly increase our tax burden and adversely affect our cash flows and profitability.

Further, pursuant to the EIT Law and its implementation rules, PRC income tax at the rate of 10% is generally applicable to PRC source dividends paid by "PRC resident enterprises" to investors that are "non-PRC residents". Similarly, any gain realized on the transfer of the shares of "PRC resident enterprises" by such investors is also subject to PRC income tax, usually at the rate of 10% unless otherwise reduced or exempted by relevant tax treaties or similar arrangements, if such gain is regarded as income derived from sources within the PRC. If we are deemed a PRC resident enterprise,

dividends payable to our foreign investors or gains our foreign investors may realize from the transfer of the Shares may be treated as income sourced within the PRC and be subject to PRC income tax. Accordingly, if we are deemed a PRC resident enterprise under the EIT Law, our shareholders that are "non-PRC resident enterprises" could be subject to the withholding income tax upon the dividends payable by us or upon any gains realized from the transfer of our ordinary shares at the rate of 10% unless otherwise reduced or exempted. Such dividends or gains received by non-PRC resident individuals may be subject to PRC individual income tax at a rate of 20%.

It is unclear whether, if we, our Hong Kong subsidiary and other offshore subsidiaries, are deemed a PRC resident enterprise, our shareholders would be able to claim the benefit of income tax treaties entered into between China and other countries or regions. If dividends payable to our shareholders that are "non-PRC residents," or gains from the transfer of our Shares are subject to PRC tax, the value of such shareholders' investment in our Shares may be materially and adversely affected.

Our Hong Kong subsidiary may not be entitled to the reduced withholding tax rate under the Double Taxation Arrangement between the PRC and the Hong Kong Special Administrative Region.

We are a holding company incorporated under the laws of the Cayman Islands. We conduct substantially all of our business through our PRC subsidiaries and we derived the majority of our income from them.

Pursuant to the Notice of the SAT on Issuing the Table of Tax Rates on Dividends in Treaties, or Notice 112, which was issued on January 29, 2008, the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, or the Double Taxation Arrangement (Hong Kong), which became effective on December 8, 2006, such withholding tax may be lowered to 5% if the PRC enterprise is at least 25% directly held by a Hong Kong enterprise. In October 2009, the SAT further issued the Notice on How to Understand and Determine the "Beneficial Owners" in Tax Treaties, or Circular No. 601. According to Circular No. 601, non-resident enterprises that cannot provide valid supporting documents as "beneficial owners," who are generally individuals, companies or other organizations which are normally engaged in substantive operations, may not be approved to enjoy tax treaty benefits. These rules also set forth certain criteria for determining whether, for treaty purposes, a person is a "beneficial owner." Specifically, they expressly exclude a "conduit company" from qualifying as a "beneficial owner" if it is established for the purposes of avoiding or reducing tax obligations or transferring or accumulating profits and not engaged in substantive operations such as manufacturing, sales or management. As a result, we may not be able to enjoy the preferential withholding tax rate of 5% under the tax arrangement and may therefore be subject to withholding tax at a rate of 10% with respect to dividends to be paid by our PRC subsidiaries to us through our Hong Kong subsidiary.

A failure by the beneficial owners of our Shares who are PRC residents to comply with certain PRC foreign exchange regulations could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws.

The SAFE has promulgated several regulations requiring PRC residents to register with PRC government authorities before engaging in direct or indirect offshore investment activities, including Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by domestic Residents in China via Special-Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**Circular 37**"), issued and effective on July 4, 2014, Circular on Promulgation of Administrative Measures on Foreign Exchange of Direct Investment by Foreign Investors and Ancillary Documents (《關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》) issued on May 10, 2013, and Notice on Further Improving and Adjusting Foreign Administration Policies in Respect of Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》), issued on November 19, 2012 and effective on December 17, 2012. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle.

Subsequent regulations further clarified that PRC subsidiaries of a special purpose vehicle are required to urge its PRC resident shareholders and beneficial owners to update their registrations with local branches of the SAFE. Please refer to the section headed "Regulations—Regulations on Foreign Exchange in Onshore and Offshore Transactions Conducted by the Founders" in this prospectus. If our Shareholders or beneficial owners who are PRC citizens or residents do not complete their registration with the local SAFE branches, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above could result in liabilities for our PRC subsidiaries under PRC laws for evasion of applicable foreign exchange restrictions, including (1) the requirement by the SAFE to return the foreign exchange remitted overseas within a period specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive and (2) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive. Furthermore, the persons-in-charge and other persons at our PRC subsidiaries who are held directly liable for the violations may be subject to criminal sanctions.

We are committed to complying with and to ensuring that our Shareholders who are subject to the regulations will comply with the relevant rules. However, we may not always be able to compel them to comply with Circular 37 or other related regulations. As a result, there can be no assurance that all of our current or future Shareholders or beneficial owners who are PRC residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by, Circular 37 or other related regulations. Failure by any such Shareholders or beneficial owners to

comply with Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

The change in the value of Renminbi against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. For instance, in the PRC from 1995 until July 2005, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and U.S. dollar, has been based on fixed rates set by the PBOC. The PRC government, however, has, with effect from July 21, 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On July 21, 2005, this revaluation resulted in the Renminbi appreciating against the U.S. dollar and the Hong Kong dollar by approximately 2% on that date. On September 23, 2005, the PRC government widened the daily trading band for the Renminbi against non-U.S. dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. As a consequence, Renminbi has fluctuated sharply since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. On June 19, 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. On March 17, 2014, the PBOC enlarged the previous floating band of the trading prices of the Renminbi against the U.S. dollar in the inter-bank spot foreign exchange market from 1% to 2% in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand with reference to a basket of currencies. However, it remains unclear how this flexibility might be implemented. Further, there remains significant international pressure on the PRC government to adopt a substantial liberalization of its currency policy, which could result in a further and more significant appreciation in the value of Renminbi against the Hong Kong dollar.

In the Track Record Period, substantially all of our revenues and expenditures were denominated in Renminbi, and substantially all of our financial assets are also denominated in Renminbi. In December 2014, we acquired Sirton, an Italy-based company, whose revenues and expenditures are primarily denominated in euros. However, we expect Sirton to account for a small portion of our overall operations in the near future. Therefore, we mainly rely on dividends and other fees paid to us by our PRC subsidiaries. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, including proceeds from the Global Offering, as Renminbi is the functional currency of our

subsidiaries inside China. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

Restrictions on currency exchange may limit our ability to receive and use our revenue effectively.

We receive nearly all of our revenue in Renminbi, which currently is not a freely convertible currency. A portion of our revenue may be converted into other currencies to meet our foreign currency obligations, including, among others, payment of dividends declared, if any, in respect of our ordinary shares and to service its debts. Under China's existing foreign exchange regulations, we are able to pay dividends in foreign currencies without prior approval from the State Administration of Foreign Exchange, or the SAFE, by complying with certain procedural requirements. However, the PRC government may take measures to restrict access to foreign currencies for current account transactions.

Our ability to obtain foreign exchange is subject to significant foreign exchange controls, which in the case of amounts under the capital account requires the approval of and/or registration with PRC government authorities, including the SAFE. In particular, if Shenyang Sunshine obtains foreign currency loans from foreign lenders, it must do so within approved limits that satisfy its approval documentation and PRC debt to equity ratio requirements. Further, such loans must be registered with the SAFE. These limitations could affect the ability of Shenyang Sunshine to obtain capital through offshore debt or equity financing.

Our operations are subject to the uncertainties and particularities associated with the legal system in China, which could adversely affect our business, or limit the legal protection available to us or to existing or potential investors.

We conduct our business through our operating subsidiaries in China, which are governed by PRC law. China is a civil law jurisdiction based on written codes and statutes. Unlike common law jurisdictions, prior court decisions may be cited as persuasive authority but do not have legally binding force. The PRC government has promulgated laws and regulations in relation to economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to establishing a comprehensive legal system conducive to investment activities. However, the implementation, interpretation and enforcement of these laws and regulations may cause greater uncertainty compared to those in the common law jurisdictions due to a relatively short legislative history, limited volume of court cases and their non-binding nature. Furthermore, many laws, regulations and legal requirements have only recently been adopted by the central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for guidance. PRC administrative and court authorities also have significant discretion in interpreting and enforcing statutory and contractual terms. It thus may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection available than in more developed legal systems. These uncertainties may also impede our ability to enforce the contracts we have entered into with our business partners, customers and suppliers. Vis-à-vis our competitors, depending on the government agency or how an application or a case is presented to such agency or other factors, we may receive

less favorable application of law. In addition, any litigation or legal proceeding in China may be protracted and result in substantial legal costs and diversion of resources and management attention. We cannot predict the effect of future legal developments in China, including promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the preemption of local rules and regulations by national law, the overturn or modification of the lower-level authority's decisions at the higher level, or the changes in judiciary and administrative practices. As a result, there is substantial uncertainty as to the legal protection available to us or to our investors.

There may be difficulties in effecting services of process and seeking recognition and enforcement of foreign judgments in China.

Substantially all of our assets are located in China, and most of our senior management members and directors reside in China. However, China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts of the United States or many other jurisdictions. As a result, it may be difficult or impossible for investors to effect service of process or enforce court judgments against our PRC subsidiaries, our assets, senior management members or directors in China.

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) (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 the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

In utilizing the proceeds of this offering in the manner described in the section headed "Future Plans and Use of Proceeds", as an offshore holding company, we may extend loans to our PRC subsidiaries, establish new subsidiaries, make additional capital contributions to our PRC subsidiaries or acquire, in offshore transactions, offshore entities with business operations inside China. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans we extended to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart.

In addition, on August 29, 2008, the SAFE promulgated Circular 142, which requires that any Renminbi obtained from the settlement of the capital of a foreign-invested enterprise shall be used for purposes within the business scope approved by the applicable government authority. Without a special governmental approval pursuant to Circular 142, we may not utilize our existing PRC subsidiaries to apply the settlement of capital for domestic equity investments. We may, however, use proceeds from this offering for equity investments through acquisitions of offshore entities with business operations in China or establish new subsidiaries with an appropriate business scope to engage in equity investment activities in China.

On March 30, 2015, the SAFE promulgated Circular 19, which will become effective on June 1, 2015 to reform the administration of conversion of foreign currency registered capitals of foreign-invested enterprises. According to Circular 19, Circular 142 will be repealed simultaneously when Circular 19 comes into effect. Circular 19 adopts a concept of "discretionary settlement" as opposed to settlement on a payment basis as set forth in Circular 142. Discretionary settlement is defined in Circular 19 as the settlement of a foreign-invested enterprise's foreign currency registered capital in accordance with the enterprise's actual business needs. No review of the purpose of the funds is required at the time of settlement under Circular 19. However, use of any Renminbi funds converted from its registered capital shall be based on true transactions, and the Renminbi funds obtained by foreign-invested enterprises from the discretionary settlement of foreign currency registered capitals shall be managed under the accounts pending for foreign currency settlement payment. In addition, equity investments using converted registered capital are no longer prohibited under Circular 19. However, as Circular 19 was issued recently, there are still uncertainties in its implementation.

Furthermore, the SAFE strengthened its oversight of the flow and use of Renminbi funds converted from the foreign currency-denominated capital of foreign-invested enterprises. The use of such Renminbi may not be changed without approval from the SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used for purposes within the foreign-invested enterprise's approved business scope. The SAFE also promulgated SAFE Circular 45 in November 2011, which, among other things, restricts a foreign-invested enterprise from using Renminbi funds converted from its registered capital to provide entrusted loans or repay loans between non-financial enterprises.

Finally, any capital contributions to our existing PRC subsidiaries or to any new PRC subsidiaries that we may establish in the future must be approved by the MOFCOM or its local counterpart. There can be no assurance that we will be able to obtain these government registrations or approvals on a timely basis, if at all. If we fail to receive such registrations or approvals, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計畫外匯管理有關問題的通知》) (the "**Stock Option Rules**"), which replaced the earlier rules promulgated by the SAFE in March 2007. Under the Stock Option Rules, PRC residents who participate in stock incentive plans in an overseas publicly listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly listed company, to register with the SAFE and complete certain other procedures. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

We and our PRC resident employees who have been granted stock options will be subject to the Stock Option Rules upon completion of this offering. Failure of the PRC resident holders of our share options to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limited our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially adversely affect our business.

We rely on dividends paid by our subsidiaries for our cash needs, and limitations under the PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilize such funds.

As a holding company, we conduct substantially all of our business through our consolidated subsidiaries incorporated in China. We rely on dividends paid by these PRC subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our Shareholders, to service any foreign currency debt we may incur and to make any offshore acquisitions. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Each of our PRC subsidiaries is required to set aside (i) at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve funds until the aggregate amount of such reserves reaches 50% of its respective registered capital; and (ii) discretionary reserve funds as approved by its shareholders meeting. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends, loans or advances. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. In addition, certain loan agreements signed by our PRC subsidiaries may contain covenants that restrict their ability to pay out dividends. These limitations on the ability of our PRC subsidiaries to transfer funds to us limit our ability to receive and utilize such funds.

Risks Relating To The Global Offering

No public market currently exists for our shares; the market price of our shares may be volatile and an active trading market for our shares may not develop.

No public market currently exists for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between our Company, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), 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. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the Shares will not decline following the Global Offering.

In addition, the trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including:

- variations in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments in China affecting us, our customers or our competitors;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and China;
- developments in China healthcare market;
- changes in pricing made by us or our competitors;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for our Shares;
- additions to or departures of, our executive officers and other members of our senior management;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sales or anticipated sales of additional Shares; and
- the general economy and other factors.

Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value to HK$1.80 per Share, based on the mid-point of the Offer Price range of HK$8.70. There can be no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider offering and issuing additional Shares in the future. 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.

Future sales or perceived sales of our Shares in the public market by major Shareholders following the global offering could materially and adversely affect the price of our Shares.

Prior to the Global Offering, there has not been a public market for our Shares. Future sales or perceived sales by our existing Shareholders, or issuance by us of significant amounts of our Shares after the Global Offering, could result in a significant decrease in the prevailing market prices of our Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the Global Offering due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price for our Shares and our ability to raise equity capital in the future.

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

Immediately following the Global Offering, our Controlling Shareholders will hold in aggregate approximately 37.06% 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.

There will be a gap of several days between pricing and trading of our Shares, and the price of our Shares when trading begins could be lower than the offer price.

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be not more than five Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance that we will declare and distribute any amount of dividends in the future.

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Under PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refers to after-tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory capital reserve funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. The calculation of our distributable profits under PRC GAAP differs in many aspects from the calculation under IFRS. As a result, our PRC operating subsidiaries may not be able to pay a dividend in a given year if they do not have distributable profits as determined under PRC GAAP even if they have profits as determined under IFRS. Accordingly, since our Company derives substantially all of our earnings and cash flows from dividends paid to us by our PRC operating subsidiaries in China, we may not have sufficient distributable profits to pay dividends to our Shareholders. We declared and paid cash dividends of nil, RMB490.1 million and RMB659.0 million to our shareholders in 2012, 2013 and 2014, respectively. Please refer to the section headed "Financial Information—Dividend Policy" in this prospectus for further details of our dividend policy. There can be no assurance that future dividends will be declared or paid. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other considerations, our operations, earnings, financial condition, cash requirements and availability, our constitutional documents and applicable law.

Our historical dividends may not be indicative of our future dividend policy. There can be no assurance on when, if and in what form dividends will be paid on our Shares following the Global Offering. A declaration of dividends must be proposed by the Board and is based on, and limited by, various factors, including, without limitation, our business and financial performance, capital and regulatory requirements and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

Facts, forecasts and statistics in this prospectus relating to the PRC economy and healthcare industry may not be fully reliable.

Facts, forecasts and statistics in this prospectus relating to the PRC, the PRC economy and healthcare industry in China are obtained from various sources including official government publications that we believe are reliable. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Selling Shareholder, the Joint Global Coordinators nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this prospectus relating to the PRC economy and the healthcare industry in China may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

You should only rely on the information included in this prospectus to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the Global Offering.

There had been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering. We have not authorized the disclosure of any information concerning the Global Offering in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

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

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

We do not have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. The Group's management, business operations and assets are primarily based outside Hong Kong. The principal management headquarters and senior management of the Group are primarily based in China. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, the Group and therefore would not be in the best interests of the Company and its shareholders as a whole. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives, namely Mr. Tan Bo (譚擘), our executive Director, and Ms. Li Huihui (厲蕙蕙), our vice president and joint company secretary, as well as their alternate representative, Ms. Lai Siu Kuen (黎少娟), to be the principal communication channel at all times between the Stock Exchange and the Company. Each of our authorised representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorised representatives are authorised to communicate on our behalf with the Stock Exchange;

(b) we will implement a policy to provide the contact details of each Director (such as mobile phone numbers, office phone numbers, email addresses and fax numbers) to each of the authorised representatives, to their alternate representative and to the Stock Exchange. This will ensure that each of the authorised representatives, the alternate representative and the Stock Exchange will have the means to contact all the Directors (including the independent non-executive Directors) promptly as and when required, including means to communicate with the Directors when they are travelling;

(c) we will ensure that all Directors who are not ordinarily resident in Hong Kong have valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period of time when required;

(d) we have retained the services of a compliance adviser, being Guotai Junan Capital Limited (the "**Compliance Adviser**"), in accordance with Rule 3A.19 of the Listing Rules. The Joint Sponsors submit, on behalf of our Company, that the Compliance Adviser will serve as an alternative channel of communication with the Stock Exchange in addition to the authorised representatives of our Company. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Adviser has prompt access to our Company's authorised representatives and Directors who will provide to the Compliance Adviser such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties. The Compliance Adviser will also provide advice to our Company when consulted by our Company in compliance with Rule 3A.23 of the Listing Rules; and

(e) meetings between the Stock Exchange and the Directors could be arranged through the authorised representatives or the Compliance Adviser, or directly with the Directors within a reasonable time frame. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorised representatives and/or the Compliance Adviser in accordance with the Listing Rules.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual 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 the company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a Member of The Hong Kong Institute of Company Secretaries;

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

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

In assessing "relevant experience", the Stock Exchange will consider the individual's:

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

(b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, 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.

Our Company appointed Ms. Li Huihui (厲蕙蕙) and Ms. Lai Siu Kuen (黎少娟) as joint company secretaries of the Company on November 27, 2014. Ms. Lai Siu Kuen is a fellow member of the Hong Kong Institute of Chartered Secretaries and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Ms. Li Huihui has been the vice president of our Company since September 2013. Our Company believes that Ms. Li Huihui, by virtue of her knowledge and experience in handling corporate administrative matters, is capable of discharging her functions as a joint company secretary. Further, our Company believes that it would be in the best interests of our Company and the corporate governance of the Group to have as its joint company secretary a person such as Ms. Li Huihui who possesses the relevant experience of the Group's financial, operational and investor relations matters.

Accordingly, whilst Ms. Li Huihui does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 such that Ms. Li Huihui may be appointed as a joint company secretary of our Company. The waiver was granted for a three year period on the condition that Ms. Lai Siu Kuen, as joint company secretary, will work closely with, and provide assistance to, Ms. Li Huihui in the discharge of her duties as a joint company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules. In addition, Ms. Li Huihui will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the Listing Date. The Company will further ensure that Ms. Li Huihui has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Such waiver will be revoked immediately if and when Ms. Lai Siu Kuen ceases to provide such assistance. At the end of the three year period, we will liaise with the Stock Exchange to enable it to assess whether Ms. Li Huihui, having had the benefit of Ms. Lai Siu Kuen's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

Please refer to the section headed "Directors and Senior Management" in this prospectus for further information regarding the qualifications of Ms. Li Huihui and Ms. Lai Siu Kuen.

WAIVER IN RESPECT OF DEALING IN SECURITIES

Pursuant to Rule 9.09(b) of the Listing Rules, there must be no dealings in the Shares by any core connected person of our Company during the period from the date which falls on four clear business days before the expected hearing date of our Company's application for the Listing until the Listing is granted.

Before the Listing and subject to the fulfilment of the conditions precedent in the Pre-IPO Reorganization Agreement, CS Sunshine and Decheng will convert the entirety of the CS Note and the Decheng Note into 42.97% and 1.73% of the issued share capital of Century Sunshine respectively. Immediately after the conversion of the the CS Note and the Decheng Note, Decade Sunshine will declare a special dividend to Century Sunshine to be satisfied by transferring such number of Shares in the Company (the "**Consideration Shares**") to Century Sunshine representing the indirect pro-rata interest of the Participating Shareholders (including CS Sunshine, Decheng, Mr. Lou, Mr. Tan, Ms. Su, Mr. Huang, Ms. Li Huihui (厲蕙蕙) ("**Ms. Li**"), Mr. Chen Yongfu (陳永富) ("**Mr. Chen**") and Ms. You Fei (由飛) ("**Ms. You**")) before such declaration (taking into account the interests of CS Sunshine and Decheng after the conversion of the CS Note and the Decheng Note).

Century Sunshine will repurchase the issued and outstanding shares of Century Sunshine held by the Participating Shareholders and the consideration for such repurchase shall be satisfied by transferring the Consideration Shares to the Participating Shareholders and/or their affiliates.

These steps are intended to be completed before the Listing as part of the Pre-IPO Reorganization. Please refer to the section headed "History, Reorganization and Corporate Structure—Pre-IPO Reorganization" in this prospectus for further details on the Pre-IPO Reorganization.

As a result of these steps, the Participating Shareholders and/or their affiliates will hold direct interests in the Company and the Non-Participating Shareholders (namely, Dr. Lou, Lambda International and Mr. Tan) will hold their interests in the Company through Century Sunshine and Decade Sunshine.

As CS Sunshine is expected to hold 29.38% and 28.32% of the Shares in our Company after the completion of the Global Offering, assuming the Over-allotment Option is not exercised and the Over-allotment Option is exercised in full, respectively, it is a core connected person of our Company for the purpose of the Listing Rules.

As our Controlling Shareholders are expected to hold altogether, directly or indirectly, 37.06% and 35.72% of the Shares after the completion of the Global Offering, assuming the Over-allotment Option is not exercised and the Over-allotment Option is exercised in full, respectively, they are core connected persons of the Company for the purpose of the Listing Rules. Our Controlling Shareholders will collectively remain the largest shareholder of the Company.

Separately, Ms. Li, Mr. Chen and Ms. You currently serve as directors of a number of subsidiaries of the Company. New Hayride Limited ("**New Hayride**") is a company wholly-owned by and therefore a close associate of Ms. Li. As such, New Hayride, Mr. Chen and Ms. You are also core connected persons of the Company for the purpose of the Listing Rules.

For the above reasons, the Pre-IPO Reorganization would lead to a technical deviation from Rule 9.09(b) of the Listing Rules. However, if our Company were to comply with the requirements under Rule 9.09(b) of the Listing Rules, CS Sunshine and Decheng will no longer be entitled to certain of its rights under the CS Note, the Decheng Note and the Investors Rights Agreement upon the completion of the Pre-IPO Reorganization before the hearing date and therefore resulting in CS Sunshine and Decheng giving up such rights prematurely without having the certainty that the proposed Listing will take place or proceed accordingly. Please refer to the section headed "History, Reorganization and Corporate Structure—Investment by CS Sunshine—(C) Special rights granted under the Convertible Notes" in this prospectus for further details of the special rights of CS Sunshine under the Convertible Notes.

We believe the Pre-IPO Reorganization will not prejudice the interests of the potential investors of our Company for the following reasons:

(a) the dealings in Shares by core connected persons will be done as part of the agreed corporate reorganization of the Company. Please refer to the section headed "History, Reorganization and Corporate Structure—Pre-IPO Reorganization" in this prospectus for further details on the Pre-IPO Reorganization. The purposes of the corporate reorganization are to: (i) allow the Participating Shareholders (including CS Sunshine and Decheng) to exchange their shares in the holding company with shares in the Company on a pro-rata basis; and (ii) minimize changes to the existing commercial arrangements to the extent possible;

(b) the transfer of the Shares will not require any new or additional consideration to be paid by any of the parties concerned;

(c) the transfer of the Shares will not result in any change to the ultimate beneficial ownership of the Group, and CS Sunshine and Decheng will not benefit from such transfer by compromising the interests of potential investors in the Company; and

(d) the material terms of the CS Note and the Decheng Note as well as the Investors Rights Agreement will be fully disclosed in the Company's prospectus.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has, subject to the following conditions, agreed to grant, a waiver from strict compliance with the requirements under Rule 9.09(b) of the Listing Rules:

(a) full disclosure of the proposed dealings in Shares will be included in the Company's prospectus, ensuring that no investor is prejudiced or treated unfairly in the Global Offering; and

(b) the proposed dealings in Shares will not affect the Company's compliance with other provisions of the Listing Rules.

WAIVER IN RELATION TO THE CLAWBACK MECHANISM

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, in the event of over-allocations in the Hong Kong Public Offering, the Joint Global Coordinators will apply a clawback mechanism following the closing of the application lists as further described in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation".

CORNERSTONE INVESTMENT BY GIC PRIVATE LIMITED

Paragraph 5(1) of Appendix 6 of the Listing Rules (the "**Placing Guidelines**") states that, without the prior written consent of the Exchange, no allocations will be permitted to "connected clients" of the lead broker or of any distributors.

One of the cornerstone investors is GIC Private Limited ("**GIC**"). GIC is a global investment management company established to manage Singapore's foreign reserves. GIC invests internationally in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estate and private equity. GIC is amongst the world's largest fund management companies. As part of GIC's businesses, GIC has invested in the holding company of one of the Joint Global Coordinators. As such, GIC is, prima facie, a connected client of the lead broker or distributors pursuant to paragraph 5(1) of the Placing Guidelines.

Subject to certain conditions imposed, GIC may participate in the Global Offering as a cornerstone investor. The terms of the cornerstone investment by GIC are substantially the same as those of other cornerstone investors, and no preferential treatment or any direct/indirect benefits have been given to the GIC. For further information of GIC's investment in the Shares, please refer to the section headed "Cornerstone Investors" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. The Global Offering comprises the International Placing of initially 545,490,000 Offer Shares and the Hong Kong Public Offering of initially 60,610,000 Offer Shares, each subject to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus and without taking into account the Over-allotment Option. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. Subject to the terms of the Underwriting Agreements, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Placing is fully underwritten by the International Underwriters, subject to agreement on the Offer Price to be determined between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date.

The Offer Price is expected to be fixed among the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around June 4, 2015 and, in any event, not later than June 8, 2015 (unless otherwise determined between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators and our Company on or before June 8, 2015, the Global Offering will not become unconditional and will lapse immediately.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the related Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information or to make any representation not contained in this prospectus and the related Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters and any of their respective directors, officers, employees, agents or representatives or advisors or any other persons involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

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

Further information about the Underwriters and the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus.

SALE OF THE SALE SHARES BY THE SELLING SHAREHOLDER

As part of the Global Offering, the Selling Shareholder will offer 121,220,000 Sale Shares for sale pursuant to the International Placing. Please refer to the section headed "Structure of the Global Offering" for details of the Sale Shares by the Selling Shareholder.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Hong Kong Offer Shares described in this prospectus and the related Application Forms. No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus in any jurisdiction other than Hong Kong. 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 offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold directly or indirectly in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

Dealings in the Shares on the Stock Exchange are expected to commence on June 11, 2015. No part of our Shares or loan capital 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. All the Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

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

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 and in the related Application Forms.

PROCEDURE FOR APPLICATION OF HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the related Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Particulars 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.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on 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.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements may affect their rights and interests.

COMMENCEMENT OF DEALINGS IN SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on June 11, 2015. Shares will be traded in board lots of 500 Shares each.

HONG KONG SHARE REGISTRAR AND HONG KONG STAMP DUTY

Our Company's principal register of members will be maintained by our principal share registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands. All of the Shares issued and sold pursuant to the Global Offering will be registered on our Company's register of members maintained in Hong Kong by our Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Dealings in the Shares registered in our register of members in Hong Kong will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice. Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of and/or dealing in the Shares or exercising any rights attached to them. It is emphasized that none of us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, employees, officers, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding, disposal of, or dealing in, the Shares or exercising any rights attached to them.

LANGUAGE

If there are any inconsistencies in this prospectus between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities are provided for identification purpose only.

EXCHANGE RATE

Solely for convenience purposes, this prospectus includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise indicated, (i) the translation between Renminbi and Hong Kong dollars was made at the rate of RMB0.78811 to HK$1.00, the exchange rate prevailing on the May 15, 2015 published by the PBOC for foreign exchange transactions and (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK$7.7505 to US$1.00, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on May 15, 2015.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding. Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments or have been rounded to one or two decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. LOU Jing (婁競)	1-23-5, No. 211-2 Qingnian Avenue Shenhe District Shenyang PRC	American
Mr. TAN Bo (譚擘)	2-3-1202, Huaye Rose No. A18, Yanjingli Middle Street Chaoyang District Beijing PRC	Canadian
Ms. SU Dongmei (蘇冬梅)	3-1-1, No. 7-2A Xianglushan Road Huanggu District Shenyang PRC	Chinese
Mr. HUANG Bin (黃斌)	10-12-1, No. 38-1 Huanghe South Avenue Huanggu District Shenyang PRC	Chinese
Non-executive Directors		
Mr. LIU Dong (劉東)	Flat 801, Unit 1 7/F, Building 505 Furong Garden Tongzhou District Beijing PRC	Chinese
Mr. LV Dong (呂東)	No. 101, Unit 1 No. 6, 52 Jiaoda East Road Haidian District Beijing PRC	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Mr. PU Tianruo (濮天若)	No. 402, Unit 1 5/F, Jingshuyuan Higher Education Dormitory Haidian District Beijing PRC	Chinese
Mr. David Ross PARKINSON	820 Anderson Ln, Sebastopol CA 95472 United States	American
Mr. MA Jun (馬駿)	No. 401, Unit 7 10/F, Maizidian Street Chaoyang District Beijing PRC	Chinese

Further information is disclosed in the section headed "Directors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

CITIC Securities Corporate Finance (HK) Limited
26/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong

Morgan Stanley Asia Limited
Level 46, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Joint Global Coordinators	Morgan Stanley Asia Limited Level 46, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Central, Hong Kong CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central, Hong Kong
Joint Bookrunners and Joint Lead Managers	Morgan Stanley Asia Limited Level 46, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Central, Hong Kong China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central, Hong Kong China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central, Hong Kong

Legal Advisors to the Company

As to Hong Kong law and United States law
Skadden, Arps, Slate, Meagher & Flom and affiliates
42/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

As to PRC law
Jingtian & Gongcheng
34th Floor, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing
PRC

As to Cayman Islands law
Conyers Dill & Pearman
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

As to Italy law:
Bonelli Erede Pappalardo
Via Barozzi 1
20122 Milano
Italy

Legal Advisors to the Underwriters

As to Hong Kong law and United States law
Davis Polk & Wardwell
18th Floor, The Hong Kong Club Building
3A Charter Road
Hong Kong

As to PRC law
Jun He Law Offices
20th Floor, China Resources Building
8 Jianguomenbei Avenue
Beijing
PRC

Reporting Accountants and Independent Auditor	*Certified Public Accountants* Ernst & Young 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Suite 2802-2803, Tower A Dawning Center 500 Hongbaoshi Road Shanghai PRC
Receiving Bank	Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road Hong Kong
Compliance Advisor	Guotai Junan Capital Limited 27/F, Grand Millennium Plaza 181 Queen's Road Central Hong Kong

Headquarters	No. 3 A1, Road 10 Shenyang Economy and Technology Development Zone Shenyang PRC
Registered Office in the Cayman Islands	The offices of Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Principal Place of Business in Hong Kong	36/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Company Website	**www.3sbio.com** (*the information contained on the website does not form part of this prospectus*)
Joint Company Secretaries	Ms. LI Huihui (厲蕙蕙) Room 3603, No. 14 Lane 19 Kaibin Road Xuhui District Shanghai PRC Ms. LAI Siu Kuen (黎少娟) (FCIS, FCS) 36/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorized Representatives	Mr. TAN Bo (譚擘) 2-3-1202, Huaye Rose No. A18, Yanjingli Middle Street Chaoyang District Beijing PRC Ms. LI Huihui (厲蕙蕙) Room 3603, No. 14 Lane 19 Kaibin Road Xuhui District Shanghai PRC

Alternate Authorized Representative	Ms. LAI Siu Kuen (黎少娟) 36/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Audit Committee	Mr. PU Tianruo (濮天若) *(Chairman)* Mr. LV Dong (呂東) Mr. MA Jun (馬駿)
Remuneration Committee	Mr. MA Jun (馬駿) *(Chairman)* Mr. LIU Dong (劉東) Mr. PU Tianruo (濮天若)
Nomination Committee	Mr. LOU Jing (婁競) *(Chairman)* Mr. MA Jun (馬駿) Mr. PU Tianruo (濮天若)
Principal Share Registrar and Transfer Office	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Hong Kong 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 Bank Co., Ltd, Shenyang Branch No. 36 Shiyiwei Road Heping District Shenyang PRC

The information and statistics set forth in this section and elsewhere in this prospectus have been derived from an industry report commissioned by us and independently prepared by Frost and Sullivan in connection with the Global Offering. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect. None of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other party involved in the Global Offering or their respective directors, advisers and affiliates have independently verified such information and statistics. Accordingly, none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other party involved in the Global Offering or their respective directors, advisers and affiliates makes any representation as to the correctness or accuracy of such information and the statistics contained in this prospectus, which may be inaccurate, incomplete, out-of-date or inconsistent with the other information complied within or outside the PRC. For the above reasons, information contained in this section shall not be unduly relied upon. For a discussion of risks relating to our industry, please refer to the section headed "Risk Factors—Risks Related to Our Business and Industry" in this prospectus.

OVERVIEW OF THE BIOTECHNOLOGY INDUSTRY

Biotechnology Pharmaceuticals

Biotechnology pharmaceuticals (also known as "biopharmaceuticals") are therapeutic proteins produced by recombinant DNA technologies and used as pharmaceutical products. Through recombinant DNA technologies, human genes encoding therapeutic proteins can be either transformed into bacterial host cells or inserted into the genomes of mammalian host cells. These host cells expressing the recombinant human genes can be cloned and proliferated on a large scale, and produce large quantities of therapeutic proteins for commercial use as pharmaceutical products.

Unlike chemical pharmaceuticals, protein-based pharmaceuticals usually have large and complex molecular structures, which are affected by, among other factors, the peptide sequence and glycosylation, a process under which proteins are modified by carbohydrates or glycans. The structure and extension of glycosylation are often impacted by external factors such as the type of host cells and manufacturing conditions. Because the structure of a protein substantially affects its biological function, similar proteins with a slight difference in structure can differ significantly in safety and efficacy as biopharmaceuticals.

The discovery and development process of biopharmaceuticals draws upon a wide array of fields, such as microbiology, biochemistry, molecular biology, cell biology, immunology, protein engineering and bioprocess technologies. The challenge of acquiring multidisciplinary and up-to-date expertise creates a high entry barrier for the biopharmaceutical industry. In addition, the complex production process of biopharmaceuticals also constitutes a significant barrier to entry. Biopharmaceuticals are produced by living cells analogous to living "factories," which are affected by a variety of factors that must be adequately managed and meticulously controlled to achieve stable production of proteins with consistent composition and structure. Even a small variation in the manufacturing processes can lead to significant changes in the safety and efficacy of the protein-based pharmaceutical products. Therefore, biopharmaceuticals in general face less competition than chemical pharmaceuticals.

Global Biopharmaceutical Industry

Biotechnology is revolutionizing the treatment of diseases in many major therapeutic areas globally, primarily benefiting from groundbreaking progress in genetics, molecular biology and biochemistry over the past three decades. Development in genetics and molecular biology, as exemplified by the completion of the human genome sequence, has driven the discovery of pathological mechanisms at the molecular level for many diseases, paving the way for the design of innovative biopharmaceuticals and eventually personalized medicines. Advances in recombinant DNA technologies have facilitated the large-scale manufacturing of biopharmaceutical products, such as human growth factors, monoclonal antibodies and fusion proteins. In addition, improvements in analytical technologies have enabled improved characterization of macromolecules, including proteins and nucleic acids, which allow for the screening and identification of novel biologics with complex structures and various therapeutic functions.

Technological developments have provided the foundation for a fast growing biopharmaceutical industry. In 2013, seven of the top ten bestselling pharmaceuticals globally were biopharmaceuticals.

Ranking	Brand Name	Company	2013 Global Sales (in billions of US$)	Classification
1	Humira	Abbvie	10.7	Biopharmaceutical
2	Remicade	JNJ/Merck	9.0	Biopharmaceutical
3	Rituxan (MabThera)	Roche/Biogen Idec	8.6	Biopharmaceutical
4	Enbrel	Pfizer/Amgen	8.3	Biopharmaceutical
5	Advair (Sertide)	GSK	8.2	Chemical
6	Lantus	Sanofi	7.6	Biopharmaceutical
7	Avastin	Roche	6.8	Biopharmaceutical
8	Herceptin	Roche	6.6	Biopharmaceutical
9	Crestor	AstraZeneca	5.6	Chemical
10	Abilify	Otsuka/BMS	5.2	Chemical

Source: Frost and Sullivan

The biopharmaceutical industry has become an increasingly important segment of the pharmaceutical industry due to the launch of novel biopharmaceutical products and robust growth. The global biopharmaceutical market reached US$100.5 billion in 2013, according to IMS.

Global Biosimilar Market

Biosimilars refer to the follow-on versions of innovator biopharmaceuticals which are separately developed after the patents protecting the innovator biopharmaceuticals have expired and have similar quality, safety and efficacy as the innovator biopharmaceuticals. Biosimilars first entered the market in 2006 with the introduction of somatropin (human growth hormone, or HGH) in the European Union. Biosimilars must be highly similar to the innovator biopharmaceuticals in biochemical structure, safety and efficacy. The development and regulatory hurdles for biosimilars are hence higher than those for generic chemical pharmaceuticals. For example, the typical registration pathway for generic chemical pharmaceuticals only requires demonstration of bioequivalence to the innovator chemical pharmaceutical, whereas the typical biosimilar registration pathway requires demonstration of not only bioequivalence but also comparable safety and efficacy relative to the innovator biopharmaceutical.

The global biosimilar market reached US$2.8 billion in 2013 and is expected to reach US$9.4 billion in 2018, representing a CAGR of 27.6%, according to Frost and Sullivan. The biosimilar market is mainly driven by the increasing number of patent expirations as well as strong demand for biopharmaceuticals. The innovator biopharmaceuticals that are expected to lose their patent protection during the next four years include Rituxan/MabThera, Remicade, Herceptin, Humira, Avastin, Synagis, Erbitux and Lucentis, which had a total combined sales of US$41.5 billion in 2013. Furthermore, because generic chemical pharmaceuticals have widely gained physician acceptance as interchangeable with innovator chemical pharmaceuticals during the past 30 years, we believe biosimilars will benefit from similar physician acceptance as interchangeable with innovator biopharmaceuticals in the future.

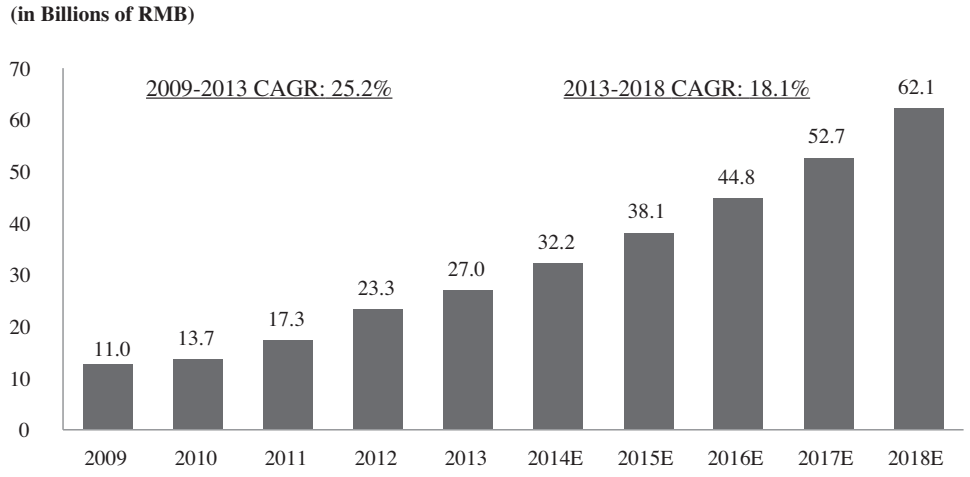
The European Union is a pioneer in establishing a regulatory pathway for biosimilars. To be approved as a biosimilar in the European Union, the biosimilar candidate must pass a robust head-to-head comparability exercise which typically comprises the following three steps: biochemical structure comparability, non-clinical comparability and clinical comparability. Biochemical structure comparability is established if the biosimilar candidate and the innovator biopharmaceutical are demonstrated to be similar in molecular structure and functionality by comprehensive and rigorous analytical characterization. The non-clinical and clinical comparability then prove that any differences observed in biochemical structure have no impact on the safety and efficacy of the biosimilar candidate relative to the innovator biopharmaceutical. A total of 14 biosimilars have been approved in Europe, including erythropoietin (EPO), HGH, granulocyte colony-stimulating factor (G-CSF), and anti-TNF α drugs.

In the United States, the USFDA has released a draft guidance on the use of interchangeability data in biosimilar marketing applications submitted through the 351(k) pathway. According to the draft guidance, applications should include data demonstrating that a biosimilar is interchangeable and can generate the same clinical result as the innovator biopharmaceutical in all patients. One biosimilar has been recently approved in the United States through the 351(k) pathway.

PRC Biopharmaceutical Market

The PRC biopharmaceutical market is still at an early stage of development but has strong growth potential. According to IMS, the PRC biopharmaceutical market accounted for 5.4% of the overall PRC pharmaceutical market in 2013, while the global biopharmaceutical market accounted for 11.7% of the overall global pharmaceutical market in the same period. Meanwhile, the PRC biopharmaceutical market grew from RMB11.0 billion in 2009 to RMB27.0 billion in 2013, representing a CAGR of 25.2%, and is expected to reach RMB62.1 billion in 2018, representing a CAGR of 18.1% from 2013 to 2018. The following chart sets forth the historical and projected size of the PRC biopharmaceutical market from 2009 to 2018:

PRC Biopharmaceutical Market Size from 2009 to 2018



Source: IMS (historical); Frost and Sullivan (projection).

As is the case globally, the PRC biopharmaceutical industry has less competition and higher technological barriers than the PRC chemical pharmaceutical industry. Approximately 130 companies were operating in the PRC biopharmaceutical industry in 2013, compared to over 4,000 companies in the PRC chemical pharmaceutical industry, according to Frost and Sullivan.

Biosimilar Regulatory Pathway in China

On February 28, 2015, the CFDA released the Technical Guidelines on Development and Evaluation of Biosimilars (《生物類似藥研發與評價技術指導原則》) (the "**Technical Guidelines**"). The Technical Guidelines lay out the approval pathway for biosimilars for the first time in China. The Technical Guidelines only apply to therapeutic recombinant proteins with well-defined structures and functions. According to the Technical Guidelines, a biosimilar candidate should have the same amino acid sequence as the original drug. In addition, a biosimilar candidate is evaluated according to the following principles:

- *Comparability.* The same conditions and standards should be applied to the original drug and the biosimilar candidate at every stage of every comparison experiment.

- *Stepwise development.* A staged approach may be used with later experimental designs contingent on differences and uncertainties uncovered in previous experiments.

- *Consistency.* The original and biosimilar candidate samples used in the comparison experiment must come from the same country of origin.

- *Similarity.* Meaningful differences uncovered in preclinical studies should put a question mark on the suitability of development through the biosimilar pathway.

Government Support for the PRC Biopharmaceutical Industry

The PRC biopharmaceutical industry enjoys strong support from the PRC government. In June 2009, the State Council issued *Policies to Accelerate the Development of Bioindustry* (促進生物產業加快發展的若干政策), defining the biopharmaceutical industry as a strategic emerging industry and reducing the business income tax rate for high-tech biopharmaceutical companies from the ordinary level. In July 2012, the State Council issued the *12th Five-Year Plan on National Strategic Innovative Industries* ("十二五"國家戰略性新興產業發展規劃), listing the bioindustry as one of the key strategic industries.

To boost China's innovation capabilities in the pharmaceutical area, the State Council has set goals to establish a number of new drug development platforms and to launch innovative pharmaceutical products with independently developed intellectual property rights. Various PRC ministries also issued policies directly or indirectly favorable to the development of the PRC biopharmaceutical industry. For example, in January 2012, the Ministry of Industry and Information Technology issued the *12th Five-Year Plan on Pharmaceutical Industry* (醫藥工業"十二五"發展規劃), listing biological drugs as one of the key development areas, encouraging the development of genetically engineered proteins and promoting improvements on core technology of animal cell culture, purification and quality control.

rhEPO MARKET IN CHINA

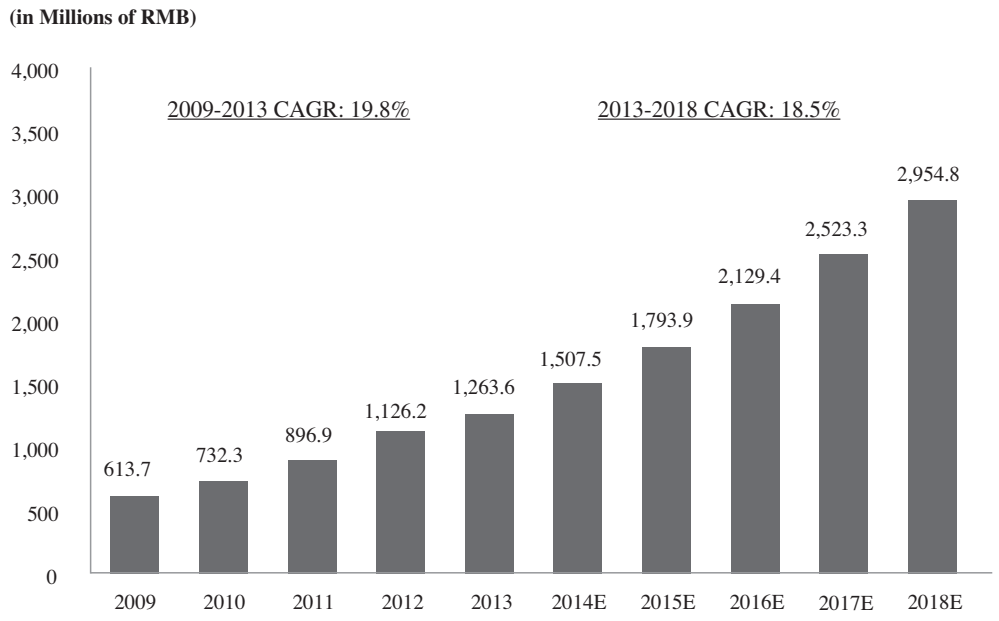
Overview of rhEPO Products

Erythropoietin ("**EPO**") is a natural growth factor normally produced and activated in the kidney which regulates production of red blood cells. rhEPO, a replacement protein therapy to elevate EPO levels, has revolutionized the treatment of patients with anemia caused by chronic renal diseases, chemotherapy and other reasons. rhEPO therapy relieves the symptoms of anemia and reduces the need for blood transfusion, thereby improving patients' quality of life. The three key indications of rhEPO products are treatment of anemia associated with CKD, treatment of chemotherapy induced anemia ("**CIA**") and reduction of allogeneic blood transfusion in surgery patients. Global sales of rhEPO products reached US$8.8 billion in 2013, according to IMS.

PRC rhEPO Market

The PRC rhEPO market has experienced rapid growth in recent years. Sales of rhEPO products in China increased from RMB613.7 million in 2009 to RMB1,263.6 million in 2013, representing a CAGR of 19.8%, and are expected to further increase to RMB2,954.8 million in 2018, representing a CAGR of 18.5% from 2013 to 2018. The following chart sets forth the historical and projected sales of rhEPO products in China from 2009 to 2018:

PRC rhEPO Market Size from 2009 to 2018



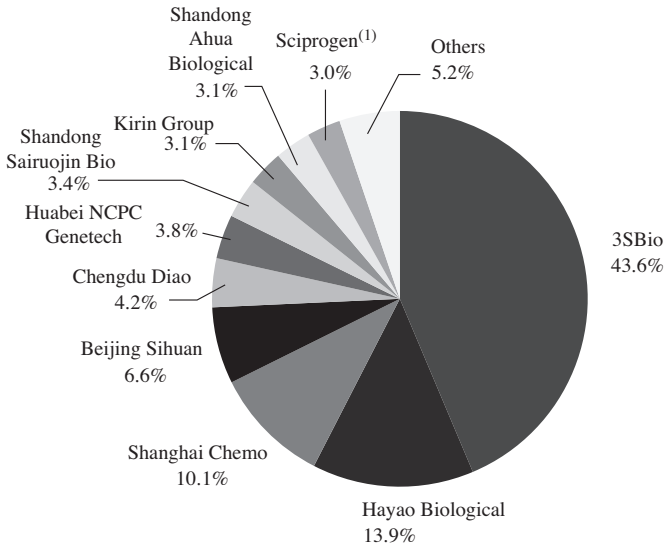
Source: IMS (historical); Frost and Sullivan (projection).

Competitive Landscape of the PRC rhEPO market

Currently, rhEPO products are marketed by 14 companies in China, including 12 domestic companies and 2 multinational companies. Our EPIAO product ranked first in the PRC rhEPO market in terms of total sales with 43.6% market share in 2013. We acquired Sciprogen in December 2014. Sciprogen's rhEPO product, SEPO, ranked 10th in the PRC rhEPO market in terms of total sales with 3.0% market share in 2013.

The following chart sets forth the market shares by sales of PRC rhEPO manufacturers in 2013:

Market Shares of rhEPO Products by Sales in 2013



Source: IMS

Note:

(1) We acquired Sciprogen in December 2014.

Nephrology rhEPO Segment

Chronic Kidney Disease ("CKD") in China

CKD is a progressive loss of renal function over time due to kidney damage. The estimated total number of CKD patients in China was approximately 120 million by 2012, with an overall prevalence rate of 10.8% among the adult population, according to Frost and Sullivan. The large CKD patient population is mainly due to the aging population, increasing life expectancy of CKD patients and increasing prevalence of chronic disease such as diabetes. According to the International Diabetes Federation, the population of diabetes patients in China reached approximately 98.4 million by 2013 and is expected to increase further.

CKD patients commonly suffer from anemia, a disease characterized by a low level of red blood cells. Malfunctioning kidneys cannot make an adequate amount of EPO for the bone marrow to produce a sufficient number of red blood cells. In 2012, approximately 39.5 million CKD patients suffered from anemia in China, according to Frost and Sullivan. CKD is divided into five stages by increasing severity of kidney damage. By 2012, there were approximately 1.4 million late-stage CKD patients in China, who needed dialysis treatment. Among those patients, approximately 1.2 million suffered from anemia, according to Frost and Sullivan. The following chart describes the five stages of CKD, their associated patient population and anemia prevalence rate in China by 2012:

Stage	Description	Patient Population in China	Anemia Prevalence Rate
		(million)	(%)
I	Early kidney damage with normal or even increased glomerular filtration rate (GFR)	63.1	22.0
II	Worse kidney damage with slightly reduced GFR	37.6	40.6
III	Moderately reduced GFR	17.7	50.9
IV	Severely reduced GFR	1.1	85.1
V	Kidney failure	0.3	98.9

Nephrology rhEPO Segment in China

rhEPO injection is administered to CKD patients whose kidneys cannot produce a sufficient amount of EPO. Growth in the PRC nephrology rhEPO market segment is mainly driven by the following key factors:

- *Large CKD patient population*. The population of CKD patients was approximately 120 million in 2012, according to Frost and Sullivan. Growth in the CKD patient population results from aging population and changing life style. In addition, the average life expectancy of patients with renal failure has increased in China in the past decade, further expanding the total CKD patient population.
- *Potential for further penetration of dialysis treatment.* The penetration rate of dialysis treatment has a significant impact on the rhEPO segment because nearly all patients undergoing dialysis treatment need to receive rhEPO therapy. According to Frost and Sullivan, the number of patients undergoing dialysis in China increased from 48,000 in 2004 to 330,000 in 2013, representing a CAGR of 23.9%. However, the penetration rate of dialysis among CKD patients is still substantially lower in China than in more developed regions due to a relatively limited number of dialysis centers and low insurance coverage in China. For example, according to Frost and Sullivan, only 22.7% of late-stage CKD patients in China received dialysis treatment in 2013, compared to over 90% in Japan and Taiwan.

- *Potential for further penetration of anemia treatment among patients not undergoing dialysis.* According to Frost and Sullivan, in 2012, among Stages III, IV and V CKD patients in China, approximately 9.9 million suffered from anemia. Among CKD patients not undergoing dialysis but suffering from anemia in China, fewer than 10% received rhEPO treatment in 2012, according to Frost and Sullivan. As these CKD patients become increasingly aware of the need for anemia treatment, the demand for rhEPO products is expected to grow.
- *Expanding insurance coverage for CKD treatments.* Insurance coverage and reimbursement rate for dialysis treatment, anemia pharmaceuticals and other CKD treatments have improved significantly since the PRC government launched the new policy for critical disease insurance in August 2012. Under the new policy, patients can receive 50% or more reimbursement for the treatment of designated critical diseases, including late-stage CKD. Despite the progress, the reimbursement level in China for CKD treatments such as dialysis is still much lower than more developed regions.

Oncology rhEPO Segment

Oncology in China

Oncologic diseases, commonly known as cancer, are major causes of death in China. The incidence of cancer in China has been continuously rising in recent years due to various factors, including changing lifestyle and environmental pollution. According to the Ministry of Health of China, the total diagnosed cases of oncologic diseases in China reached 5 million in 2012. As the incidence and prevalence of cancer rise, the total number of treated cancer patients undergoing chemotherapy in China grew from 2.3 million in 2008 to approximately 2.7 million in 2012, and is expected to continue to increase over the next few years, according to Frost and Sullivan. CIA is a common side effect of chemotherapy which reduces the ability of the bone marrow to produce red blood cells.

Oncology rhEPO Segment in China

In the area of oncology, rhEPO therapy is mainly used to treat patients suffering from mild to moderate symptoms of anemia. Compared to blood transfusion, rhEPO therapy for CIA costs less and avoids risks of allergy and infection from blood transfusion. The penetration of rhEPO treatment among CIA patients in China is still much lower than in developed countries, according to Frost and Sullivan. Growth in the PRC oncology rhEPO market segment is mainly driven by the following key factors:

- *Large and increasing patient base*. Since chemotherapy is the major method of cancer treatment in China, a large and increasing number of cancer patients develop CIA. According to Frost and Sullivan, the estimated number of patients suffering from CIA that need rhEPO therapy was approximately 1.6 million in China in 2013.
- *Growing physician awareness of the efficacy of rhEPO for CIA treatment*. Physicians and other medical professionals have become increasingly aware of the efficacy of rhEPO therapy for CIA treatment.

- *Expanding insurance coverage for cancer treatments.* The expansion of insurance coverage for chemotherapy and other cancer treatments, including rhEPO therapy, has led to increasing demand for rhEPO products.
- *Increasing focus on the improvement of cancer patients' quality of life.* In recent years, treatment of cancer has transitioned from focusing only on survival of cancer patients to focusing also on improving their quality of life. As a result, cancer patients in China have increasingly started to receive treatment for side effects of chemotherapy, including anemia.

Surgical rhEPO Segment

rhEPO therapy is gradually being accepted as a way to reduce allogeneic blood transfusion in surgery patients. By boosting the level of red blood cells of surgery patients, rhEPO therapy helps reduce the need for blood transfusion and the associated risks and side effects, such as blood-borne diseases and immune reactions related to transfusion.

Demand for surgical rhEPO therapy is expected to continue to grow due to fast growing surgery volume, shortage of the blood supply in China and increasing safety concerns over blood transfusion. The total volume of inpatient surgeries in China has increased from 24.5 million in 2009 to 37.3 million in 2013, representing a CAGR of 11.1%, according to Frost and Sullivan. Moreover, physician acceptance of rhEPO therapy to reduce allogeneic blood transfusion in surgery patients has improved significantly in recent years, especially for orthopedic and gynecologic surgeries.

rhTPO MARKET IN CHINA

Overview of rhTPO Products

Thrombopoietin ("**TPO**") is a human hormone largely produced by the liver which regulates platelet production. Platelet deficiency results in symptoms such as bleeding tendency, easy bruising, or extravasation of blood from capillaries into skin and mucous membranes. rhTPO is a genetically engineered glycosylated TPO with similar pharmacological functions as endogenous TPO in increasing platelet count.

Our proprietary rhTPO product, TPIAO, is a National Class I New Drug and has been the only commercialized rhTPO product in the world since its launch in 2006. The two key indications of TPIAO in China are chemotherapy-induced thrombocytopenia ("**CIT**") and immune thrombocytopenia ("**ITP**").

PRC rhTPO Market

The PRC rhTPO market, represented by TPIAO sales in China, grew from RMB89.7 million in 2009 to RMB314.8 million in 2013, representing a CAGR of 36.9%, and is expected to grow to RMB1,260.8 million in 2018, representing a CAGR of 32.0% from 2013 to 2018, according to Frost and Sullivan. We believe that future growth in the PRC rhTPO market will be driven by the large patient population, expansion of insurance coverage for CIT and ITP treatments, and enhancement in physician awareness of the safety and efficacy of rhTPO therapy. In addition to the treatment of

platelet deficiency, rhTPO products may also be approved for other indications such as hematopoietic blood stem cell transplantation and the treatment for sepsis associated thrombocytopenia, thrombocytopenia associated with late-stage liver diseases and aplastic anemia, which can further boost the growth of the PRC rhTPO market.

TPIAO does not face direct competition in China, as TPIAO is the only rhTPO product available in the PRC market to date. Currently, TPIAO competes with other treatments for CIT and ITP. In the CIT market, TPIAO primarily competes with rhIL-11. According to Frost and Sullivan, in 2012 and 2013, TPIAO's share by sales in the PRC CIT drug market was 31.3% and 33.8%, respectively, gaining market shares from other CIT drugs. In the ITP market, TPIAO primarily competes with alternative treatment methods including corticosteroids, intravenous immunoglobulins, splenectomy and certain chemical drugs.

CIT rhTPO Segment

CIT is a clinical syndrome of platelet deficiency induced by chemotherapy used to treat cancer patients. CIT often results in dose reduction and schedule alteration of chemotherapy. The severity of CIT depends on the type and duration of chemotherapy. According to Frost and Sullivan, the prevalence rate of CIT among chemotherapy patients was approximately 18.0%, and the number of CIT patients reached approximately 490,000 by 2012 in China. Increasing usage of certain chemotherapy regimens, such as gemcitabine, has resulted in higher incidence of CIT. For example, according to a study published in the Journal of Oncology Pharmacy Practice in 2011, the incidence rate of CIT among bladder cancer patients receiving cisplatin/gemcitabine regimen was 57.1%, and the incidence rate of CIT among melanoma cancer patients receiving carboplatin/gemcitabine regimen was 28.6%.

rhTPO therapy can effectively increase platelet count. Alternative treatment options of CIT include rhIL-11 therapy and platelet transfusion. Compared to rhIL-11, rhTPO has higher efficacy, faster increases in platelet levels and fewer and much milder side effects. Side effects of rhIL-11 typically include cardiotoxicity and peripheral edema, as compared to mild flu-like reactions related to rhTPO treatment. Platelet transfusion is a standard therapy for severe CIT patients, but it is associated with the risk of infection and its use is limited by a shortage of platelet supply in China. Furthermore, the efficacy of platelet transfusion may be limited and may decline over time due to the development of anti-platelet antibodies resulting from platelet transfusion.

According to IMS, the overall PRC CIT market grew from RMB269.5 million in 2009 to RMB908.6 million in 2013, representing a CAGR of 35.5%. Approximately 220,000 CIT patients in China needed rhTPO therapy in 2012, but only approximately 10% received rhTPO therapy, according to Frost and Sullivan.

Growth in the PRC CIT rhTPO market segment is mainly driven by increasing physician awareness of the safety and efficacy of rhTPO for CIT treatment and expanding insurance coverage. Physicians increasingly consider rhTPO a safer and more effective treatment of CIT compared to rhIL-11. Moreover, improved coverage under PRC medical insurance has increased the affordability of rhTPO therapy and boosted its usage significantly over the past few years.

ITP rhTPO Segment

ITP, also known as immune thrombocytopenia, is a medical condition of low platelet count (thrombocytopenia) with normal bone marrow and the absence of other causes. According to Frost and Sullivan, approximately 110,000 patients in China needed ITP treatment in 2013, more than 70% of which were 60 years old or above. Among ITP patients, the penetration of rhTPO therapy was still less than 10% in China in 2013, according to Frost and Sullivan.

Growth in the PRC ITP rhTPO market segment is mainly driven by increasing physician awareness of the safety and efficacy of rhTPO for ITP treatment. The *Chinese Experts' Consensus on the Diagnosis and Treatment of Adult Primary Immune Thrombocytopenia (Revised)* ("Expert Consensus", 《成人原發免疫性血小板減少症診治的中國專家共識(修訂版)》), published in March 2011, recommended rhTPO therapy as a secondary treatment of ITP when the primary treatment options are ineffective or trigger adverse reactions. Corticosteroid therapy is a major primary treatment of ITP because of its high efficacy and low cost, but it has various potential side effects, especially for elderly people due to their relatively weaker physical conditions. Because rhTPO therapy is recognized by the Expert Consensus as a treatment with low side effects, it has a large potential patient base, especially the elderly ITP patient who are more sensitive to hormone therapies including corticosteroids and are more likely to have side effects. rhTPO can also be used in conjunction with other secondary treatments of ITP, such as splenectomy, immunosuppressant drugs and platelet transfusion.

IRON DEFICIENCY ANEMIA AND IRON SUCROSE INJECTION MARKET IN CHINA

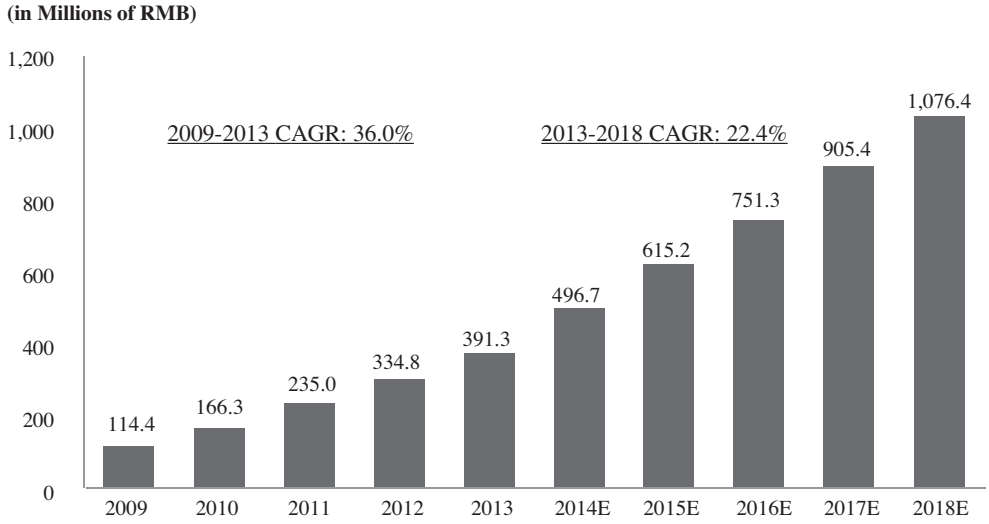
Iron deficiency anemia (IDA) is one of the most common medical conditions due to nutritional deficiency worldwide. IDA is also a common complication of many other diseases and conditions, including CKD, cancer and gastrointestinal conditions. Due to decreased oxygen delivery to the entire body, symptoms of IDA may include pale skin, unexplained fatigue, short of breath, chest pain and headache. According to Frost and Sullivan, the prevalence rate of anemia in China was 20.1% in 2002.

Treatment options for IDA include oral iron therapy, intravenous iron therapy and blood transfusion. It is also common to use rhEPO therapy to treat IDA patients with CKD or undergoing chemotherapy. Intravenous iron therapy may be necessary to treat those IDA patients who do not absorb iron well in the gastrointestinal tract, suffer from severe iron deficiency or cannot tolerate oral iron therapy.

Iron sucrose injection is a new-generation intravaneous iron therapy. Compared to oral and other intravenous iron therapies, iron sucrose injection has many advantages, including quicker onset, better efficacy, lower side effects and higher iron utilization rate, according to Frost and Sullivan.

Sales of iron sucrose injection products in China increased from RMB114.4 million in 2009 to RMB391.3 million in 2013, representing a CAGR of 36.0%, and are expected to further increase to RMB1,076.4 million in 2018, representing a CAGR of 22.4% from 2013 to 2018. The following chart sets forth the historical and projected sales of iron sucrose injection products in China from 2009 to 2018:

PRC Iron Sucrose Injection Market Size from 2009 to 2018



Source: IMS (historical); Frost and Sullivan (projection).

Growth in the PRC iron sucrose injection market is mainly driven by high prevalence of anemia, increasing physician recognition and expanding application of iron sucrose injection. In particular, iron sucrose injection products are now routinely prescribed to CKD patients with anemia. Iron sucrose injection can also be used to treat other types of anemia patients, including those who undergo chemotherapy. Due to increasing prevalence rate of cancer in China, the patient base of iron sucrose injection has vastly expanded. Iron sucrose injection can be prescribed in combination with rhEPO therapy, because it improves the effectiveness of rhEPO therapy and, similar to rhEPO therapy, has low side effects.

In China, the market for iron sucrose injection products is led by Nanjing Hengsheng Pharmaceutical, Pude Pharmaceutical and 3SBio, whose market shares in terms of sales were 45.1%, 33.3% and 14.8%, respectively, in 2013, according to IMS.

VENOUS THROMBOSIS AND LOW MOLECULAR WEIGHT HEPARINS MARKET IN CHINA

Thrombosis refers to the formation of a clot within a blood vessel, which reduces blood flow and may cause infraction of tissues supplied by that vessel. Venous thrombosis ("**VTE**") is one of the top three fatal vascular diseases globally. In China, VTE also has increasing prevalence, mainly driven by dramatic shift of dietary patterns, prevalence of hypertension, physical inactivity, increasing alcohol consumption and prevalence of smoking.

Heparin is the most widely used anticoagulant to prevent and treat thrombosis. Standard heparin has been commonly used for the prevention and treatment of VTE, but may cause complications such as bleeding and osteoporosis. Low molecular weight heparin ("**LMWH**") was launched in the 1990s and has become the main treatment of thrombosis and is now widely used for the prevention and treatment of VTE. The advantages of LMWH include fewer side effects and more predictable anticoagulant response.

A variety of heparin products are marketed in China, including LMWH calcium, LMWH sodium, heparin calcium, heparin sodium and enoxaparin sodium. Among these heparin products, LMWH calcium leads the market with 55.7% share in terms of sales in 2013. The PRC heparin market increased from RMB1.2 billion in 2009 to RMB2.8 billion in 2013, representing a CAGR of 24.7%. Growth in the PRC heparin market is mainly driven by the recent inclusion of LMWH in the National Essential Drug List and increasing prevalence of VTE.

REPORT COMMISSIONED FROM FROST AND SULLIVAN

We commissioned Frost and Sullivan, an independent provider of growth consulting and market research, to conduct an analysis of, and to report on, the global and PRC biopharmaceutical industry. Frost and Sullivan, founded in 1961, is a global consulting firm with offices in over 40 countries. Frost and Sullivan provides market research and analysis, among other services, across multiple industries including pharmaceutical and biotechnology. Frost and Sullivan is an Independent Third Party.

Investors should note that Frost and Sullivan was engaged to prepare the biopharmaceutical industry report for use in this prospectus.

Certain information and data presented in this section were provided by Frost and Sullivan. Frost and Sullivan has advised that the statistical and graphical information contained herein is drawn from its database and other sources. In connection therewith, Frost and Sullivan has advised that:

- certain information in Frost and Sullivan's database is derived from estimates or subjective judgment based on sample information from and interviews with biopharmaceutical companies, medical professionals, hospital personnel, government agencies and other industry consultants, and is prepared primarily as a marketing research tool;

- the information in the databases of other data collection agencies or industry consultancies may differ from the information in Frost and Sullivan's database;
- while Frost and Sullivan has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures;
- this section also contains forward-looking statements which are based on assumptions and current expected market dynamics. The actual figures may vary as the market dynamics are ever changing. Frost and Sullivan cannot be held liable for the realization of its forecasts; and
- Frost and Sullivan implements its own methodology for information and data collection, and therefore the information discussed in this section may differ from those of other sources.

The Company is expected to pay an aggregate amount of RMB800,000 to Frost and Sullivan for the preparation and updating of this report. The Directors confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by Frost and Sullivan which may qualify, contradict or have an impact on the information set forth in this section.

OVERVIEW

Mr. Lou and his son, Dr. Lou, are co-founders of our Company. We commenced business operations in 1993 through Shenyang Sunshine, a limited liability company established in the PRC by Mr. Lou, who served as its vice chairman from 1993 to 1996. Mr. Lou acted as the chairman of Shenyang Sunshine from 1996 to 2008. Since August 2006, he acted as the chairman of our Board until April 2012 and thereafter, has been serving as a senior advisor to our Company. Dr. Lou joined Shenyang Sunshine in 1995 and since then has made substantial contribution to the development of our business. For additional information on Dr. Lou, please refer to the section headed "Directors and Senior Management" in this prospectus.

Shenyang Sunshine was established in 1993 and was primarily financed by Shenyang Keweier as a shareholder of Shenyang Sunshine. Mr. Lou was the general manager of Shenyang Keweier at the time of establishment of Shenyang Sunshine and thereafter became a legal representative of Shenyang Keweier in 1996. Soon after Shenyang Keweier became a legal entity permitting share ownership in 2001, Mr. Lou became the largest shareholder of Shenyang Keweier. Shenyang Keweier ceased to be a shareholder of Shenyang Sunshine in July 2006 due to the reorganization undertaken in preparation for our listing on the NASDAQ.

Since the inception of Shenyang Sunshine, we have focused on the research and development of pharmaceutical products, in particular recombinant protein-based pharmaceutical products, and have funded our research and development projects and business expansion with cash generated from our operations, debt financing, equity issuances and various government grants. Our current core products are EPIAO and TPIAO. Our product portfolio also includes IV Iron Sucrose, SEPO, Sparin, Intefen, Inleusin, Gan Xin, Si Qu Di, Rui Si Yi and Wan Wei.

In preparation for our listing on the NASDAQ, we incorporated Collected Mind and our Company in May and August 2006, respectively. In July 2006, Collected Mind acquired the entire equity interest in Shenyang Sunshine. In September 2006, our Company acquired the entire issued share capital of Collected Mind and became an indirect holding company of Shenyang Sunshine and its subsidiaries.

On February 7, 2007, our Company completed an initial public offering of ADSs in the United States and became listed on the NASDAQ. The purpose of the offering was to fund our rapidly expanding business and growing capital expenditures. On September 12, 2012, Dr. Lou, CPE and certain other shareholders formed a consortium (the "**Consortium**") and made a privatization proposal to acquire the rest of the outstanding issued Shares and ADSs held by the other shareholders and ADS holders. Subsequently, our Company was privatized on May 29, 2013. For further details on our listing on the NASDAQ and privatization, please refer to the paragraph headed "—Prior Listing on the NASDAQ" in this section.

BUSINESS MILESTONES

The following sets forth some of our Group's key business development milestones:

1993	Shenyang Sunshine, our major operating subsidiary, was established in the PRC.
1995	Intefen, our recombinant human interferon alpha-2a product, was launched.
1996	Inleusin, our recombinant human interleukin 2 product, one of the first interleukin products introduced in the PRC market, was launched.
1998	EPIAO, our core injectable recombinant human EPO product, was launched in China.
2002	EPIAO became the number one rhEPO product in China in terms of both sales volume and revenue.
2005	TPIAO, a recombinant human TPO and another of our core products, besides EPIAO, was approved by the CFDA. It remains the first and only approved rhTPO product in China.
2006	Our Company was incorporated as an exempted company with limited liability in the Cayman Islands.
2006	Through Liaoning Sunshine, we obtained a five-year exclusive license to distribute IV Iron Sucrose, an iron supplement product that is now our third largest revenue generator after EPIAO and TPIAO, in the PRC.
2007	Our Company was listed on the NASDAQ.
2010	We completed the construction of additional manufacturing facilities for EPIAO and TPIAO in the Shenyang Economy and Technology Development Zone. The facilities received CFDA certification and conformed to requirements of major international regulatory guidelines including those of the European Medicines Agency and the Pharmaceutical Inspection Cooperation Scheme. The facilities enabled us to increase our manufacturing capacity of EPIAO and TPIAO by approximately four times.
2011	The CFDA approved our voluntary upgrade of manufacturing specifications to fully align the product quality of EPIAO with European Pharmacopoeia standards.
2013	Our Company was privatized and ceased to be listed on the NASDAQ.
2014	We acquired Sciprogen, a biopharmaceutical company based in China. We also acquired Sirton, a contract-based pharmaceutical manufacturer based in Italy. Separately, we entered into a strategic cooperation agreement with and acquired approximately 6.96% equity interest in CP Guojian.

AWARDS AND RECOGNITIONS

The following sets forth the major awards and recognitions that we have achieved:

1996	The Liaoning provincial government awarded us the "Second Class Award for the Advancement of Science & Technology" (科學技術進步獎二等獎) for Intefen.
1998	The National Ministry of the Science and Technology awarded us the "Third Class Award for Outstanding Project of the State Torch Program" (火炬計劃優秀項目三等獎) for Intefen.
1999	The Liaoning provincial government awarded us the "Second Class Award for the Advancement of Science and Technology" (科學技術進步獎二等獎) for EPIAO.
1999	We were recognized as a "Key High and New Technology Enterprise of the State Torch Program" (國家火炬計劃重點高新技術企業) by the Torch High Technology Industry Development Center, the Ministry of Science and Technology.
2001	Since 2001, we have been recognized as an Industrialization Base for Achievements under the National High and New Technology Plan (國家高新科技研究發展計劃成果產業化基地) (also known as the 863 Plan), which is China's highest-level national science program, a distinction awarded by the Ministry of Science and Technology to a very limited number of companies.
2005	The Shenyang Municipal Administration for Industry and Commerce recognized both EPIAO and Intefen as "well-known trademarks" (著名商標).
2006	The Ministry of Science and Technology, the MOFCOM, the General Administration of Quality Supervision, Inspection and Quarantine and the Ministry of Environmental Protection recognized TPIAO as a "National Key New Product" (國家重點新產品).
2007	The Liaoning provincial government awarded us the "Third Class Award for the Industrialization of Scientific and Technological Achievements" (科技成果轉化獎三等獎).
2010	The Liaoning provincial government awarded us the "First Class Award for Excellent New Products" (優秀新產品一等獎) for TPIAO.
2013	We were recognized by Forbes as a "Forbes China Potential Enterprise".

CORPORATE DEVELOPMENT AND SHAREHOLDING CHANGES OF OUR GROUP

Historically, our business operations were conducted through subsidiaries and variable interest entities owned or controlled by us. The following sets forth the corporate history and shareholding changes of our Company and our major operating subsidiaries:

Our Company

Our Company was incorporated in the Cayman Islands on August 9, 2006. Upon its incorporation, the authorized share capital of our Company was US$50,000 divided into 50,000 ordinary shares of a par value of US$1.00 each. Subsequently, on September 6, 2006, every issued and unissued ordinary share of US$1.00 each in the share capital of our Company was subdivided into 10,000 ordinary shares, such that the authorized share capital of our Company became US$50,000 divided into 500,000,000 ordinary shares of a par value of US$0.0001 each.

During the Track Record Period and up to the date of this prospectus, our Company did not have any major shareholding changes, save that in December 2012 and April 2013, our Company issued and allotted a total of 10,292,933 shares of US$0.0001 each in our Company credited as fully paid to our Management Controlling Shareholders and certain of our employees pursuant to our Company's 2006 stock plan, 2010 equity incentive plan and certain stock-based compensation approved by the Board in January 2009.

On May 29, 2013, in contemplation of the privatization of our Company, Merger Sub merged with and into our Company, with our Company being the surviving company resulting from the merger (the "**Merger**"), on the terms and conditions as set out in an agreement and plan of merger dated February 8, 2013 made between Decade Sunshine, Merger Sub and our Company, as amended, restated and supplemented by an amendment to the agreement and plan of merger dated April 24, 2013 (altogether, the "**Merger Agreement**"). Pursuant to the Merger, the authorized share capital of our Company became US$50,000 divided into 50,000 ordinary shares of a par value of US$1.00 each on May 29, 2013, being the effective date of the Merger.

On May 29, 2013, each ordinary share of a par value of US$0.0001 each in the share capital of our Company issued and outstanding immediately prior to May 29, 2013, other than shares held by our Management Controlling Shareholders and certain other then shareholders of our Company (the "**Excluded Shares**"), was cancelled in exchange for the right to receive US$2.3857 in cash per ordinary share without interest in accordance with the Merger Agreement. The Excluded Shares were cancelled and ceased to exist without any conversion or consideration. Each ordinary share of a par value of US$1.00 each in the share capital of Merger Sub issued and outstanding immediately prior to May 29, 2013 was converted into one validly issued and fully paid ordinary share of a par value of US$1.00 in the share capital of our Company. As a result, Decade Sunshine became the sole shareholder of our Company, holding one ordinary share of a par value of US$1.00 in the share capital of our Company. Please refer to the paragraph headed "—Prior Listing on the NASDAQ—Our listing, privatization and delisting from the NASDAQ" in this section for further details on the Merger.

On January 1, 2015, our Company issued the CP Guojian Warrant to Shanghai Junling pursuant to which our Company has agreed to issue up to an aggregate of 112,882,033 Shares in our Company to Shanghai Junling upon the exercise of the CP Guojian Warrant. Please refer to the paragraph headed "—CP Guojian Warrant" in this section for further details on the CP Guojian Warrant.

As part of the Pre-IPO Reorganization, we undertook the following reorganization steps:

- On February 4, 2015, every issued and unissued share of a par value of US$1.00 each in the share capital of our Company was subdivided into 100,000 shares such that immediately after the subdivision, the Company had an authorized share capital of US$50,000 divided into 5,000,000,000 shares of a par value of US$0.00001 each, of which 100,000 shares were issued to Decade Sunshine.

- Immediately following the above subdivision, the authorized share capital of our Company was increased to US$500,000 divided into 50,000,000,000 shares of a par value of US$0.00001 each by the creation of an additional 45,000,000,000 shares of a par value of US$0.00001 each.

- On February 6, 2015, our Company issued and allotted 1,939,418,570 shares of a par value of US$0.00001 each to Decade Sunshine at an aggregate subscription price of US$19,395, the payment of which was settled by the dividend declared by our Company to Decade Sunshine.

For further details on the Pre-IPO Reorganization, please refer to the paragraph headed "—Pre-IPO Reorganization" in this section.

Shenyang Sunshine

On January 3, 1993, Shenyang Sunshine was established in the PRC as a sino-foreign joint venture limited liability company with a registered capital of RMB40 million which was primarily contributed by Shenyang Keweier. The registered capital of Shenyang Sunshine was fully paid-up in 1996. In preparation for our listing on the NASDAQ, the then shareholders of Shenyang Sunshine transferred their equity interests in Shenyang Sunshine to Collected Mind in July 2006. Subsequently, in September 2006, our Company acquired the entire issued share capital of Collected Mind, after which Shenyang Sunshine became our Company's indirect wholly-owned subsidiary.

The principal business of Shenyang Sunshine is the research, manufacture and marketing of pharmaceutical products.

Liaoning Sunshine

Liaoning Sunshine was established in the PRC on February 1, 2000 with a registered capital of RMB5 million which was contributed by Ms. Xu Liping (徐麗萍) as to 60% and Mr. Zhang Hongwei (張宏偉) as to 40%.

Shenyang Sunshine acquired 40%, 50% and 10% equity interests in Liaoning Sunshine from Mr. Zhang Hongwei, Mr. Yang Jie (楊傑) and Ms. Xu Liping for considerations of RMB2 million, RMB2.5 million and RMB0.5 million in November 2001, October 2002 and June 2003, respectively. The considerations were determined based on the registered capital of Liaoning Sunshine.

On June 18, 2003, Liaoning Sunshine increased its registered capital by RMB10 million, in respect of which Shenyang Sunshine contributed RMB8.5 million and Shenyang Keweier, as a new shareholder, contributed RMB1.5 million. In 2006 and 2007, in preparation for our listing on the NASDAQ, Mr. Lou acquired the entire equity interest in Liaoning Sunshine and our Company entered into a series of contractual arrangements with Liaoning Sunshine, Shenyang Sunshine and Mr. Lou to enable us to maintain control over and receive economic benefits from Liaoning Sunshine, and to consolidate Liaoning Sunshine's financials into our consolidated financial statements as a variable interest entity (the "**Contractual Arrangements**").

As part of the Corporate Restructuring in March 2014, the Contractual Arrangements were terminated and Shenyang Sunshine acquired the entire equity interest in Liaoning Sunshine from Mr. Lou, who was the sole legal owner of Liaoning Sunshine. Please refer to the paragraph headed "—Corporate Restructuring—(1) Termination of the Contractual Arrangements" in this section for further details.

The principal business of Liaoning Sunshine is the distribution of products manufactured by Shenyang Sunshine and in-licensed products. Liaoning Sunshine holds the licenses and approvals, including pharmaceutical trading permits, required for the distribution of our own and in-licensed products.

Liaoning Sunshine Technology

Liaoning Sunshine Technology was incorporated in the PRC on February 3, 2010 with a registered capital of RMB10 million which was fully paid-up by Liaoning Sunshine as to 90% and Ms. Su on behalf of Liaoning Sunshine as to 10%. As part of the Corporate Restructuring, Liaoning Sunshine acquired the remaining 10% equity interest in Liaoning Sunshine Technology from Ms. Su on October 27, 2014 and Liaoning Sunshine Technology became a direct wholly-owned subsidiary of Liaoning Sunshine.

Liaoning Sunshine Technology primarily engages in the manufacture and distribution of medical equipment and provision of medical services.

Sciprogen

Sciprogen was incorporated in the PRC on March 22, 1999 with a registered capital of RMB53 million. We acquired an indirect interest in the entire issued share capital of Sciprogen through two equity acquisitions on December 26, 2014 and December 31, 2014, respectively. Please refer to the paragraph headed "—Acquisitions, Investments and Disposal—Acquisition of Sciprogen" in this section for further details of our acquisition of Sciprogen.

Sciprogen primarily engages in the manufacture and marketing of pharmaceutical products.

Sirton

Sirton was incorporated in Italy as a limited liability company on November 20, 2010 with a corporate capital of €10,000.00. On December 13, 2010, the corporate capital of Sirton was increased by Excel Partner and Sirton was transformed from a limited liability company to a joint stock company with a share capital of €300,000, represented by 300,000 ordinary shares of a par value of €1 each. On December 31, 2014, we acquired from First Meditech Limited, an Independent Third Party, the entire share capital of Excel Partner, which is the sole shareholder of Sirton. Please refer to the paragraph headed "—Acquisitions, Investments and Disposal—Acquisition of Sirton" in this section for further details of our acquisition of Sirton.

Sirton primarily engages in the development and production of pharmaceutical products including injectable products.

ACQUISITIONS, INVESTMENTS AND DISPOSAL

Investments in Ascentage

On March 12, 2010, through Collected Mind, we entered into an investment agreement (amended on May 21, 2010) with Mr. Dajun Yang (楊大俊), Mr. Ming Guo (郭明), Mr. Shaomeng Wang (王少萌), Ms. Zhuang Zixuan (莊孜晅) and Ascentage Pharma (who were all Independent Third Parties), pursuant to which Collected Mind subscribed for 6,666 shares of Ascentage Pharma representing approximately 40% of the total issued share capital of Ascentage Pharma after subscription for a total consideration of US$165,520, which was determined based on arm's length negotiations. The subscription consideration was fully paid and settled on May 28, 2010. Ascentage Pharma is a therapeutic research company focused on research and development of cancer therapeutics. Under the investment agreement, Ascentage Pharma undertook to develop certain chemical compounds, including Bcl-2/xL and IAP inhibitors, and Shenyang Sunshine acquired the exclusive rights to manufacture and distribute those chemical compounds in China.

On March 12, 2010, through Liaoning Sunshine, we also entered into an agreement with Ascentage Shanghai, an Independent Third Party, pursuant to which Liaoning Sunshine subscribed for 40% equity interest in Ascentage Shanghai for RMB2 million. The terms of the agreement were determined based on arm's length negotiations. The capital contribution was fully paid and settled on April 7, 2010.

Shenyang Sunshine entered into two technology development agreements dated July 10, 2010 and December 9, 2010 with Ascentage Jiangsu and Ascentage Shanghai, respectively. Subsequently on December 20, 2010, Shenyang Sunshine entered into an amendment agreement to the agreement dated December 9, 2010 with Ascentage Jiangsu and Ascentage Shanghai. The total considerations received by Ascentage Shanghai and Ascentage Jiangsu under these agreements were RMB15 million and RMB2 million, respectively. The considerations were determined based on arm's length negotiations and were fully paid and settled on July 28, 2010. Ascentage Jiangsu is a wholly-owned subsidiary of Ascentage Pharma. Ascentage Shanghai (besides 40% equity interest held by Liaoning Sunshine) is 60% owned by Mr. Yang Weimin (楊偉民), Ms. Wang Guangfeng (王光鳳), Ms. Wang Jinxia (王金霞) and Ms. Guo Li (郭莉). Ascentage Shanghai and Ascentage Jiangsu are research companies focused

on research and development of oncology new chemical entity (NCE) drugs by using apoptosis technology. Pursuant to these technology development agreements: (i) Ascentage Shanghai undertook to develop an IAP inhibitor; (ii) Ascentage Jiangsu undertook to supervise and manage the development project; and (iii) Shenyang Sunshine acquired the commercial rights to the intellectual property rights and findings arising out of the development process.

The purpose of the above investments was for us to enter into a strategic alliance with Ascentage Pharma to develop and commercialize the Bcl-2/xL and IAP inhibitors in China. On April 30, 2015, our Company, Shenyang Sunshine and Liaoning Sunshine entered into a letter agreement with Ascentage Pharma, Ascentage Shanghai and Ascentage Jiangsu (together with Ascentage Pharma and Ascentage Shanghai, the "**Ascentage Parties**"), clarifying and modifying our commercialization rights in Bcl-2/xL and IAP inhibitors. In particular, it was clarified in this letter agreement that, conditional upon receipt by any of the Ascentage Parties or any companies that Asscentage Pharma may swap shares with of any funds of at least US$5 million within 90 days of the date of this letter agreement: (i) the above technology development agreements are to be terminated; and (ii) the relevant rights and claims relating to the intellectual properties that were, are currently or will be developed by the Ascentage Parties or to which the Ascentage Parties have or previously had rights, and commercialization, manufacturing and distribution rights relating to assets owned or developed by any of the Ascentage Parties shall be assigned to Ascentage Pharma. Our Company was also granted a right of first refusal for any offer to in-license rights to the aforesaid Bcl-2/xL and IAP inhibitors.

Please refer to the section headed "Business—Research and Development—Our Product Candidates—Bcl-2/xL inhibitor and IAP inhibitor" for further details on our strategic alliance with Ascentage Pharma.

Investment in Aurinia

On August 6, 2010, we entered into a development, distribution and license agreement for voclosporin with Aurinia, an Independent Third Party, pursuant to which Aurinia granted us certain exclusive rights to all transplant and autoimmune indications of voclosporin in China, including Hong Kong and Taiwan, and we paid a non-refundable licensing payment of US$1.5 million on November 9, 2010. In consideration for the licensing arrangement, we invested US$4.5 million in Aurinia through a subscription of a three-year convertible debenture with an interest rate of 7% per annum on August 16, 2010. The terms of the development, distribution and license agreement and the convertible debenture were determined based on arm's length negotiations. On November 12, 2010, the debenture was fully converted into 30,516,000 common shares of Aurinia at a fixed conversion price of $0.155 Canadian dollars per share. The subscription and conversion of the convertible debenture were legally completed and settled.

Aurinia is a biopharmaceutical company focused on the development of its novel therapeutic immunomodulating drug candidate, voclosporin, for the treatment of lupus nephritis. As at September 30, 2014, we held approximately 1.95% of the outstanding shares of Aurinia. Please refer to the section headed "Business—Research and Development—Our Product Candidates—Voclosporin" in this prospectus for further details of our licensing agreement with Aurinia.

Investment in Taizhou Huan Sheng Healthcare

On May 30, 2011, Taizhou Huan Sheng Healthcare was established as a limited partnership in the PRC with a total subscribed capital amount of RMB250 million. As at July 19, 2011, each of Shenyang Sunshine and Taizhou CMC, an Independent Third Party, had contributed RMB45 million and approximately RMB11.3 million to the capital of Taizhou Huan Sheng Healthcare, respectively. Since then and as of the Latest Practicable Date, Taizhou Huan Sheng Healthcare had received no further capital contributions. Shenyang Sunshine, Taizhou CMC and Taizhou Huan Sheng Investment currently own 79.6%, 20.0% and 0.4% interests in Taizhou Huan Sheng Healthcare, respectively.

The Taizhou Huan Sheng Healthcare partnership is managed by its general partner, Taizhou Huan Sheng Investment. Taizhou Huan Sheng Healthcare is engaged in seeking investments in the life sciences sector that support the Group's strategic development. Taizhou Huan Sheng Healthcare will have a duration of eight years with an option for the partners to extend such term by unanimous consent. The terms of the investment were determined based on arms' length negotiations. According to our PRC Legal Adviser, all approvals from the relevant authorities for the establishment of Taizhou Huan Sheng Healthcare have been obtained and Taizhou Huan Sheng Healthcare was legally established.

Investment in DaVita JV

In May 2012, we, through our wholly-owned subsidiary Liaoning Sunshine Technology, entered into an equity joint venture agreement with DaVita, an Independent Third Party, to set up the DaVita JV, which was duly established in the PRC on June 5, 2012. The terms of the joint venture agreement were determined based on arm's length negotiations. In accordance with the certificate of approval for foreign-invested enterprises (《外商投資企業批准證書》) issued by the Liaoning provincial government, the DaVita JV had an initial registered capital of US$1.8 million of which 70% and 30% were contributed by DaVita and our Group, respectively. All approvals from the relevant authorities have been obtained for the establishment of the joint venture and the joint venture was legally established.

DaVita JV primarily engages in the provision of kidney care services in Jilin and Liaoning provinces of China. The total investment in the DaVita JV is expected to amount to US$20 million, with DaVita and our Group contributing 70% and 30%, respectively.

Disposal of Jiangsu Sunshine

On November 12, 2014, Shenyang Sunshine and Liaoning Sunshine entered into an equity transfer agreement with Beijing Huansheng, an Independent Third Party, pursuant to which Shenyang Sunshine and Liaoning Sunshine agreed to sell the entire equity interest in Jiangsu Sunshine to Beijing Huansheng for a total consideration of approximately RMB32.2 million, which was determined based on a valuation of Jiangsu Sunshine as at August 31, 2014 conducted by an asset appraisal firm and after arm's length negotiations among Shenyang Sunshine, Liaoning Sunshine and Beijing Huansheng. Please refer to the paragraph headed "—Corporate Restructuring—(4) Disposal of Jiangsu Sunshine" in this section for further details of this disposal.

Acquisition of Sirton

On December 26, 2014, Shenyang Sunshine, Excel Partner and First Meditech Limited, an Independent Third Party, entered into a sale and purchase agreement (as amended by a supplemental sale and purchase agreement dated February 4, 2015). Pursuant to the sale and purchase agreement, First Meditech Limited agreed to sell to Shenyang Sunshine the entire share capital of Excel Partner, which held the entire share capital of Sirton, for a consideration of approximately US$35.0 million. The consideration was determined based on arm's length negotiations and was settled prior to December 31, 2014, the date on which the transfer of the share capital of Excel Partner was duly completed. According to our Italian legal advisors, our acquisition of Sirton does not contravene any statute or provision of the laws of Italy. The purpose of the acquisition of Sirton is to expand our footprint in Europe. For further details of this acquisition, please refer to the section headed "Business—Recent Acquisitions—Sirton" in this prospectus.

Acquisition of Sciprogen

In December 2014, we acquired the entire equity interest in Sciprogen through the following transactions:

- On December 26, 2014, Century Sunshine, Hongkong Sansheng, Ample Harvest and Market Age Investments Limited, an Independent Third Party, entered into a sale and purchase agreement (as amended by a supplemental sale and purchase agreement dated December 31, 2014). Pursuant to this sale and purchase agreement, Market Age Investments Limited agreed to sell to Hongkong Sansheng the entire issued share capital of Ample Harvest, which held 90.57% of Sciprogen, for a consideration of approximately US$81.7 million. The consideration was determined based on arm's length negotiations. The consideration was settled prior to December 31, 2014, the date on which the transfer of the share capital was duly completed.

- On December 26, 2014, Shenyang Sunshine and Ms. Zheng Huiyin (鄭惠尹) and Mr. Sheng Weiwei (盛威瑋), both Independent Third Parties, entered into an equity transfer agreement (as amended by a supplemental equity transfer agreement dated December 31, 2014). Pursuant to this equity transfer agreement, Ms. Zheng Huiyin and Mr. Sheng Weiwei agreed to sell to Shenyang Sunshine the entire equity interest in Shenzhen Baishitong, which held 9.43% of Sciprogen, for a total consideration of approximately RMB34.4 million, which was determined based on arm's length negotiations. The consideration was settled prior to December 26, 2014, the date on which the transfer of the equity interests was duly completed. In connection with the acquisition of Shenzhen Baishitong, we entered into a non-compete and non-solicitation agreement dated April 2, 2015 with Mr. Sheng Guangyang (盛光陽) pursuant to which Mr. Sheng Guangyang agreed to refrain from undertaking any activities that may be in competition with us for a period of five years from cessation of Mr. Sheng Guangyang's employment relationship with Sciprogen in consideration of cash payment of RMB13.6 million. This non-compete and non-solicitation agreement took effect from December 31, 2014.

The purpose of the acquisition of Sciprogen was to diversify our product portfolio and to expand our product distribution network in fast growing lower-tier PRC markets. For further details of this acquisition, please refer to the section headed "Business—Recent Acquisitions—Sciprogen" in this prospectus.

Acquisition of interest in CP Guojian

In December 2014, we acquired an aggregate of approximately 6.96% of the equity interest in CP Guojian through the following transactions:

- Pursuant to two sale and purchase agreements both dated November 28, 2014, Shenyang Sunshine acquired approximately 1.89% and 0.87% of the equity interests in CP Guojian from Suzhou Industrial Park Unicorn Venture Capital Co., Ltd. (蘇州工業園區商悅創業投資有限公司) and Beijing Meijin Investment Co., Ltd. (北京美錦投資有限公司), both Independent Third Parties, for approximately RMB37.5 million and RMB17.3 million, respectively. These two acquisitions were duly completed on December 10, 2014 and the considerations were settled on December 17, 2014. All approvals from the relevant authorities have been obtained for these two acquisitions.

- On December 31, 2014, Century Sunshine and our Company entered into a share exchange agreement with CICC Harvest Limited, an Independent Third Party, pursuant to which our Company agreed to acquire from CICC Harvest Limited the entire issued share capital of CICC Bio Investments, which held approximately 2.04% of the equity interests in CP Guojian. In consideration for this acquisition, Century Sunshine issued and allotted 940,130 shares to CICC Harvest Limited. The share exchange was duly completed on December 31, 2014.

- Pursuant to two interest transfer agreements dated December 15, 2014 (the "**Transfer Agreements**"), Shenyang Sunshine and Liaoning Sunshine acquired 23.5% and 76.5% of interests in Shanghai Pudong Tianyu (which held approximately 2.15% equity interest in CP Guojian) respectively from Ms. Kuai Yuqin (蒯玉琴) and Mr. Qu Rongliang (瞿榮良), both Independent Third Parties, for nil consideration. Pursuant to the Transfer Agreements: (i) Shenyang Sunshine and Liaoning Sunshine respectively contributed RMB10 million and approximately RMB32.5 million to Shanghai Pudong Tianyu as their partnership contribution; (ii) Liaoning Sunshine became the general partner of Shanghai Pudong Tianyu; and (iii) Shenyang Sunshine and Liaoning Sunshine shall cause Shanghai Pudong Tianyu to pay Shanghai Pudong Lingyu Investment Development Center (Limited Partnership) (上海浦東領馭投資發展中心(有限合夥)) ("**Shanghai Pudong Lingyu**") a sum of approximately RMB42.5 million. The partnership contribution and the payment to Shanghai Pudong Lingyu were settled on December 26, 2014 and December 31, 2014, respectively. The transfers of the interests were duly completed on December 29, 2014.

The considerations for the above transactions were determined based on a valuation of CP Guojian as at June 30, 2014 conducted by an asset appraisal firm and were reached after arm's length negotiations among the relevant parties.

As of the Latest Practicable Date, we held approximately 6.96% of the equity interest in CP Guojian. To provide the management of CP Guojian with an incentive to improve the operational results of CP Guojian and to enhance our cooperation with CP Guojian, we issued the CP Guojian Warrant to Shanghai Junling on January 1, 2015. For further details on the CP Guojian Warrant, please refer to the paragraph headed "—CP Guojian Warrant" in this section.

CP Guojian is a PRC biopharmaceutical company focusing on the development, manufacture and marketing of mAb therapeutics. In addition to acquiring a minority stake in CP Guojian, we also entered into a strategic framework agreement with CP Guojian on December 31, 2014. The framework agreement outlined the parties' intention to engage in extensive cooperation for the research and development, manufacturing and marketing of mAb therapeutics. For further information on our strategic framework agreement with CP Guojian, please refer to the section headed "Business—Our Strategic Cooperation with CP Guojian" in this prospectus.

CP GUOJIAN WARRANT

To provide an incentive for the management of CP Guojian to improve CP Guojian's operational results and to enhance our cooperation with CP Guojian, our Company issued the CP Guojian Warrant to Shanghai Junling (the "**Holder**"), whose address is Flat 50, 1/F, No. 206, Fute North Road, China (Shanghai) Pilot Free Trade Zone and which is beneficially owned by the management of CP Guojian, on January 1, 2015. Shanghai Junling and its beneficial owners are Independent Third Parties and are not associates (as defined in the Listing Rules) of our Directors. Set forth below are the key terms of the CP Guojian Warrant:

Total number of Shares to be issued upon full exercise of the CP Guojian Warrant:	1,128.82033 shares of US$1.00 each in our Company, which became 112,882,033 Shares after our subdivision of shares on February 4, 2015 (the "**Aggregate Cap**"), and in no event shall the CP Guojian Warrant vest with respect to more than the aggregate number of Shares in excess of the Aggregate Cap *(note)*
Exercise price of the CP Guojian Warrant:	US$1.00 per share of US$1.00 each in our Company, which became US$0.00001 per Share after our subdivision of shares on February 4, 2015, with the total exercise price being US$1,128.82033.

Note: Assuming (i) there is no further issue of Shares after completion of the Global Offering; (ii) the Over-allotment Option is not exercised; and (iii) the CP Guojian is vested in full with respect to the number of Shares equivalent to the Aggregate Cap, upon full exercise of the CP Guojian Warrant, Shanghai Junling will be interested in approximately 4.45% of the then issued share capital of our Company. This calculation is based on the total number of 2,537,280,603 Shares in issue after the aforesaid full exercise of the CP Guojian Warrant.

Vesting and exercise conditions: The CP Guojian Warrant will vest and become exercisable by the Holder with respect to the number of Shares calculated as set forth below:

(1) the Aggregate Cap x 10% upon the Company's receipt of a copy of CP Guojian's audited financial statements for 2014 evidencing that CP Guojian's net profit for 2014 exceeds RMB200 million;

(2) the Aggregate Cap x 10% upon the issuance of a certificate by a reputable Good Manufacturing Practice ("**GMP**") consulting firm certifying that CP Guojian's new production area and all component equipment (including two API lines and one formation line and have a total cell culture volume of 30,000 liters) are in compliance with all relevant European Union or Australian GMP standards;

(3) the Aggregate Cap x 10% upon the successful establishment by CP Guojian of a research and development platform for antibody-drug conjugate ("**ADC**") products and the successful development by such platform of at least one ADC product to the satisfaction of our Company;

(4) the Aggregate Cap x Vesting Percentage (as defined below) - aggregate number of Shares with respect to which the CP Guojian Warrant has otherwise vested and become exercisable previously pursuant to this condition:

CP Guojian Profit Target	**Vesting Percentage**
(i) Net profit for 2015 exceeds RMB250 million but is equal to or less than RMB300 million; or (ii) net profit for 2015 and 2016 exceeds RMB500 million but is equal to or less than RMB600 million	10%
Net profit for 2015 exceeds RMB300 million but is equal to or less than RMB350 million	15%

(i) Net profit for 2015 exceeds RMB350 million; or (ii) net profit for 2015 and 2016 exceeds RMB600 million but is equal to or less than RMB700 million	20%
Total net profit for 2015 and 2016 exceeds RMB700 million but is equal to or less than RMB800 million	30%
Total net profit for 2015 and 2016 exceeds RMB800 million	40%

The above CP Guojian Profit Targets are mutually exclusive, and the highest Vesting Percentage shall apply if more than one CP Guojian Profit Target are achieved;

(5) such number of Shares so that the aggregate number of Shares vested and becoming exercisable pursuant to condition (4) above is equivalent to the product of the Aggregate Cap and 40% if (i) the CP Guojian Warrant vests and becomes exercisable by the Holder pursuant to condition (4) above but the Vesting Percentage is less than 40%; and (ii) our Company receives a copy of the Product License and the Manufacture License duly issued by the CFDA to CP Guojian for Rituximab;

(6) the Aggregate Cap x 20% upon receipt of a copy of the Product License and the Manufacture License duly issued by the CFDA to CP Guojian for Trastuzumab on or prior to September 30, 2016;

(7) the Aggregate Cap x 5% upon receipt of a copy of all requisite approvals under PRC law, rules and regulations for a new Investigation New Drug application submitted by CP Guojian on or prior to December 31, 2015; and

(8) the Aggregate Cap x 5% upon receipt of the official written approval and/or other official written confirmation by the NDRC certifying the National Engineering Research Center of Antibody Medicine (抗體藥物國家工程研究中心) as "National Engineering Research Center" (國家工程研究中心) and confirming the award of an official plaque to that effect on or prior to December 31, 2015,

provided that the CP Guojian Warrant shall not vest and become exercisable with respect to any Shares (A) pursuant to conditions (2) to (6) above unless and until our Company beneficially owns, directly or indirectly, 20% or more of the share capital of CP Guojian; or (B) pursuant to conditions (1), (7) and (8) unless and until our Company beneficially owns, directly or indirectly, 8% or more of the share capital of CP Guojian.

Restrictions on the exercise of the CP Guojian Warrant:

The CP Guojian Warrant shall not be exercised with respect to a number of Shares that, in the sole discretion of the Board, would cause any person or persons acting in concert to acquire more than 2% of the voting rights of our Company within any 12-month period or otherwise trigger mandatory offer obligations under Rule 26.1 of the Takeovers Code. The Holder shall not exercise the CP Guojian Warrant and the Company shall not be obligated to issue any Shares pursuant to the CP Guojian Warrant if the Holder is not 100% beneficially owned by then current members of management or key employees of CP Guojian.

Anti-dilution rights:

If our Company shall at any time after the date of the CP Guojian Warrant subdivide its shares into a greater number of shares or combine or reclassify the outstanding shares into a smaller number of shares, the number of shares to which the Holder is entitled under the CP Guojian Warrant shall be adjusted as if the Holder would have owned the shares under the CP Guojian Warrant immediately before such subdivision, combination or reclassification.

Transferability:

The CP Guojian Warrant is not transferrable except with the prior written consent of our Company; provided that the Holder may transfer all (but not less than all) of its rights and obligations under the warrant to a wholly-owned subsidiary.

As an inducement for our Company to enter into the CP Guojian Warrant, Shanghai Junling and our Company have also entered into a lock-up agreement dated January 1, 2015 pursuant to which:

(i) Shanghai Junling will not transfer or permit the transfer of any ordinary shares of our Company, securities convertible into or exchangeable for ordinary Shares and any options, warrants or other rights to acquire ordinary shares of our Company prior to the expiration of the 12-month period immediately following the completion of any public offering of securities of our Company; and

(ii) with respect to any shares issued by our Company pursuant to the CP Guojian Warrant, Shanghai Junling will not transfer or permit transfer of more than one-third of the shares so issued within any 12-month period following the date of such issuance.

PRIOR LISTING ON THE NASDAQ

Our listing, privatization and delisting from the NASDAQ

On February 7, 2007, our Company completed an initial public offering of ADSs in the United States and was listed on the NASDAQ. On September 12, 2012, the Consortium submitted a proposal to our Board to privatize our Company and subsequently made a voluntary conditional cash offer of US$2.20 per share of our Company or US$15.40 per ADS (with each ADS representing seven of our ordinary shares) to all other ADS holders. As part of the privatization, on February 8, 2013, we entered into the Merger Agreement pursuant to which Merger Sub agreed to merge with and into our Company, with our Company continuing as the surviving company resulting from the Merger as a wholly-owned subsidiary of Decade Sunshine. The Merger Agreement was amended on April 24, 2013 to raise the merger consideration from US$2.20 per share of our Company or US$15.40 per ADS to US$2.3857 per share of our Company or US$16.70 per ADS.

Pursuant to the terms of the Merger Agreement (as amended) approved on May 24, 2013 at an extraordinary general meeting of shareholders, each of the shares of our Company, including shares represented by ADSs (each ADS represented seven ordinary shares of our Company), which were issued and outstanding immediately prior to the effective time of the Merger, were cancelled either (i) in exchange for the right to receive US$2.3857 per ordinary share, or US$16.70 per ADS (less cancellation fees of US$0.05 per ADS) or (ii) for nil consideration, in each case in cash without interest and net of any applicable withholding taxes on the closing of the Merger. The total consideration of the Merger was approximately US$325.4 million and it was fully-paid on May 29, 2013. As a result, all outstanding ADSs of our Company were cancelled and the privatization of our Company was duly completed. The closing price of the ADS and the market capitalization of our Company on May 29, 2013, being the last full trading day prior to the completion of privatization, was US$16.59 and approximately US$392.2 million, respectively.

Our Directors confirm that, to the best of their knowledge: (a) we had been in material compliance with all applicable U.S. securities laws and regulations as well as rules and regulations of the NASDAQ, and were not subject to any disciplinary action by the relevant regulators, during our listing on the NASDAQ; and (b) there are no matters in relation to our listing on the NASDAQ and privatization that need to be brought to the attention of the Stock Exchange or the Shareholders.

Funding of the privatization and Merger

The Merger was funded by a combination of the issuance of the Original Note to CS Sunshine in the aggregate amount of US$154,400,000 on May 24, 2013 and a US$100 million term loan obtained from China CITIC Bank International Limited on February 8, 2013. The Original Note was guaranteed by our Company, Collected Mind, Hongkong Sansheng and 3SBio LLC. The loan carried interest at LIBOR plus a margin of 4.5% per annum and was guaranteed by Century Sunshine and Merger Sub. The loan was secured by, among other things, certain charges and pledges over the share capital of some of our subsidiaries and was fully repaid on March 31, 2014.

Rationale for the Merger and the delisting from the NASDAQ

The reasons for the privatization proposal include:

- *Generally low trading liquidity of ADSs.* The trading volume of our ADSs on the NASDAQ over the year preceding the Merger was limited;

- *Opportunity for our then shareholders to realize their investments.* The Board recognized that the Merger presented our then shareholders with the opportunity to realize immediate liquidity for their holdings at a price premium; and

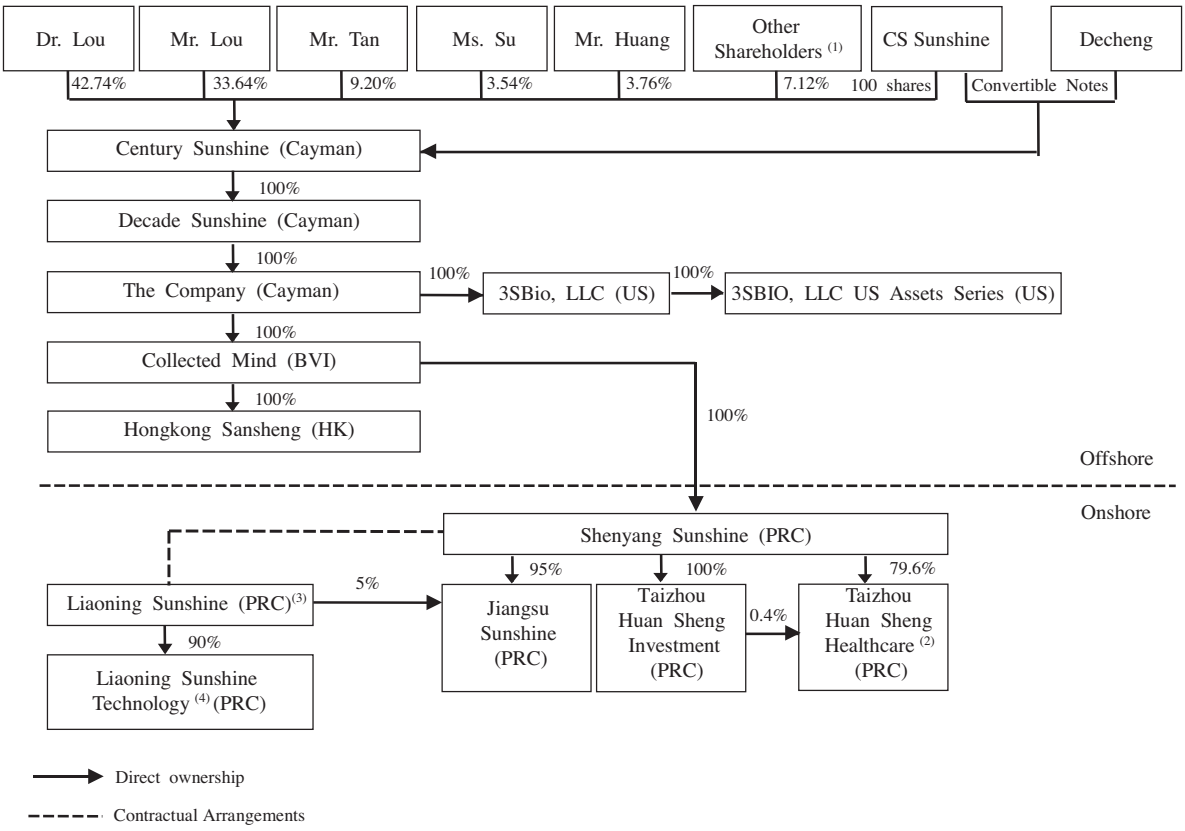
- *Greater management flexibility.* As a privately held entity, the Company's management would have greater flexibility to focus on improving the Company's profitability and value over the long term.

REASONS FOR THE LISTING

We intend to strengthen our existing products' market positions in the PRC market, expand our product portfolio through innovation and grow our international business. Our Directors believe that the Listing will assist us in achieving such aims by, among other things, raising our profile and providing us with further capital for our expansion.

The Board believes that listing on a stock exchange where the shares of a number of comparable companies are traded, such as the Stock Exchange, may improve the trading liquidity of our Shares and more properly reflect the value of the Group. Accordingly, we are seeking to list on the Stock Exchange.

Immediately following completion of our privatization, the corporate and shareholding structure of our Group was as follows:



Note:

(1) Besides our Management Controlling Shareholders and CS Sunshine, the remaining shareholding in Century Sunshine were respectively held by Mr. Li Ke (李柯) as to 1.49%, Mr. Kong Deyu (孔德育) as to 0.87%, Mr. Thomas Folinsbee as to 0.14%, Mr. Chen Yongfu (陳永富) as to 0.08%, Ms. You Fei (由飛) as to 0.05%, Ms. Hu Ming (胡明) as to 2.15%, Ms. Zhang Jiaoe (張皎娥) as to 1.90%, Mr. Zhang Qingjie (張慶捷) as to 0.30%, Ms. Dang Hui (黨惠) as to 0.12%, and Mr. Zhang Zhonghua (張忠華) as to 0.02%.

(2) Taizhou Huan Sheng Healthcare is a limited partnership controlled by its general partner, Taizhou Huan Sheng Investment. The interests of Taizhou Huan Sheng Healthcare are owned by Shenyang Sunshine as to 79.6%, Taizhou Huan Sheng Investment as to 0.4% and Taizhou CMC as to 20%, respectively. Taizhou CMC is an Independent Third Party.

(3) Liaoning Sunshine was owned by Mr. Lou and was consolidated into our consolidated financial statements as a variable interest entity through the Contractual Arrangements. Please refer to the paragraph headed "— Corporate Development and Shareholding Changes of our Group — Liaoning Sunshine" in this section for further details of the Contractual Arrangements.

(4) Liaoning Sunshine Technology was 10% held by Ms. Su on behalf of Liaoning Sunshine.

INVESTMENT BY CS SUNSHINE

As part of our privatization and pursuant to the Convertible Note Purchase Agreement entered into on May 24, 2013, Century Sunshine issued the Original Note in the principal amount of US$154,400,000 to CS Sunshine and CS Sunshine agreed to subscribe for the Investor Shares. In connection with the Original Note, Century Sunshine, CS Sunshine and our Management Controlling Shareholders also entered into the Investors Rights Agreement on May 29, 2013 (as amended on July 22, 2013), pursuant to which CS Sunshine was granted certain special rights, including those set out below. The consideration was agreed after arm's length negotiations between the parties and took into account the valuation of our Group as agreed between the parties at the relevant time. The principal amount of the Original Note was settled on May 29, 2013.

On October 24, 2013, CS Sunshine assigned a portion of the Original Note in the principal amount of US$6,000,000 to Decheng pursuant to a sale and assignment agreement between CS Sunshine and Decheng (the "**Note Assignment**"), and the Note Assignment was completed on the same date. For the purpose of the Note Assignment, Century Sunshine entered into a novation deed with Collected Mind and CS Sunshine, pursuant to which the parties agreed and consented to the novation of the Original Note (as amended on July 22, 2013) and Decheng also signed a deed of adherence dated October 24, 2013, pursuant to which Decheng undertook to and covenanted with each party to the Investors Rights Agreement to comply with the provisions of and to perform and be bound by all the obligations under the Investors Rights Agreement (as amended). Following the Note Assignment, Century Sunshine issued the CS Note and the Decheng Note to CS Sunshine and Decheng, respectively.

To facilitate the listing process and to terminate certain special rights granted to CS Sunshine and Decheng under the Investors Rights Agreement, CS Note and Decheng Note, Century Sunshine entered into the following agreements to amend the Investors Rights Agreement and the Convertible Notes:

(a) a second amendment to the Investors Rights Agreement dated November 8, 2014 among Century Sunshine, Dr. Lou and CS Sunshine;

(b) an amendment to the CS Note dated November 8, 2014 between Century Sunshine and CS Sunshine; and

(c) an amendment to the Decheng Note dated November 8, 2014 between Century Sunshine and Decheng (collectively, the "**Amendments**").

These Amendments shall terminate automatically if the listing of the securities of Century Sunshine, Decade Sunshine or any member of the Group does not occur on or before September 30, 2015. In the event that the Amendments are so terminated, the CS Note, the Decheng Note and the Investors Rights Agreement shall be reinstated and continue unamended as if these amendments had never come into effect.

The following is a summary of the key terms of the Investors Rights Agreement and the Convertible Notes:

Principal amounts of the Convertible Notes	:	**CS Note** US$148,400,000 **Decheng Note** US$6,000,000
Issuance date of the Convertible Notes	:	October 24, 2013
Maturity date of the Convertible Notes	:	the sixth anniversary of the issuance date of the Original Note (i.e. May 24, 2019).
Interest rate	:	10% per annum on an annual compounding basis on the outstanding principal amount, due and payable in cash by Century Sunshine on the maturity date.
Entitlement to dividend	:	The Convertible Note Holders shall be entitled to a payment on the date of declaration of any dividend or distribution on the shares of Century Sunshine, equal to the product of (i) the dividend or distribution payable on each share on such date, multiplied by (ii) the total number of shares issued upon conversion of the relevant Convertible Note on such date if it was converted in full on such date.
Conversion right(Note 1)	:	The Convertible Notes are convertible into such number of shares of Century Sunshine as is equal to the quotient of (i) the outstanding principal amount of the Convertible Notes (subject to certain deductions that may be made pursuant to the Convertible Notes) divided by (ii) the then applicable conversion price (see below).
Conversion price(Note 1)	:	The initial conversion price is US$5.3419 per share of Century Sunshine and can be adjusted in accordance with the following formula: ACP = (A*V - (D - E1))/C Where: ACP = the adjusted conversion price A = Century Sunshine's indirect equity ownership percentage in Shenyang Sunshine as of the date of adjustment V = the outstanding principal amount of the Convertible Notes * F1 (with F1 as of immediately prior to the applicable event giving rise to the adjustment)

F1 = the issue price (which is lower than the then effective conversion price of the Convertible Notes) of new issue of shares of Century Sunshine or their equivalents prior to the conversion/the then effective conversion price of the Convertible Notes

E1 = the aggregate amount of the Anti-dilution Cash Compensation (as defined in the paragraph headed "—Investment by CS Sunshine—(C) Special rights granted under the Convertible Notes—Anti-dilution Cash Compensation" in this section) payable under the relevant Convertible Note that has been paid to the corresponding Convertible Note Holder

D = the principal amount of the relevant Convertible Note as of the issuance date of the Original Note

C = (i) when A equals 100%, the total number of issued and outstanding shares of Century Sunshine as of the date of the applicable adjustment pursuant to the relevant Convertible Note and (ii) when A equals less than 100%, the total number of issued and outstanding shares of Century Sunshine immediately prior to certain transfer of the equity interest in Shenyang Sunshine caused by Century Sunshine

The conversion price is also subject to customary pro-rata adjustments in the event of certain corporate actions such as merger and amalgamation or capital restructuring such as share subdivision and share combination.

No upward adjustment of the conversion price is allowed under the Convertible Notes.

Exchange for equity interest in Shenyang Sunshine : The Convertible Notes are also exchangeable into a similar percentage interest in Shenyang Sunshine.

For further details, please refer to the paragraphs headed "—Investment by CS Sunshine—(A) Special rights granted under the Investors Rights Agreement—Exchange right" and "Investment by CS Sunshine—(C) Special rights granted under the Convertible Notes—Exchange right" in this section.

Use of proceeds : The proceeds from the Original Note have been fully applied to pay the consideration under the Merger Agreement (as defined above).

Restrictions on transfer by CS Sunshine (under the Investors Rights Agreement)	:	Prior to the third anniversary of the issuance date of the Original Note, subject to certain exceptions, CS Sunshine shall not transfer more than 30% of the original principal amount of the Original Note without Dr. Lou's prior consent, 30% of the shares in Century Sunshine into which the original principal amount of the Original Note is converted (if the Original Note has been converted), 30% of the equity interest in Shenyang Sunshine (if the Original Note has been exchanged) or 30% of any combination of each such security. During the period between the third anniversary of the issuance date of the Original Note and the sixth anniversary of the issuance date of the Original Note, CS Sunshine may freely transfer the Original Note, shares in Century Sunshine or equity interest in Shenyang Sunshine exchanged from the Original Note. Dr. Lou shall have a right of first offer over such interests to be transferred.
Lock-up	:	In the event of a public offering of Century Sunshine, Decade Sunshine or any member of the Group, CS Sunshine agrees not to dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of its shares in the relevant entity which is undergoing the public offering: (i) for a period as required under the rules and regulations of the applicable jurisdiction; or (ii) if there are no applicable rules and regulations, for a period from the date of the public offering to the date which is six months from the date on which the shares of the relevant entity are listed. CS Sunshine agrees to execute and deliver any instrument, document or agreement (including where necessary the affixation of the seal of CS Sunshine) or to take or cause to be taken any other actions which are necessary, appropriate or desirable to give effect to this clause.
Shareholding of the Convertible Note Holders immediately following the completion of the Global Offering[(note 2)]	:	• CS Sunshine: 29.38% • Decheng: 1.39%

Note:

1. Under the Pre-IPO Reorganization Agreement, the conversion price and the conversion right are inapplicable. Under the agreement, the CS Note and the Decheng Note will be converted into 27,782,512 and 1,120,742 ordinary shares of Century Sunshine, respectively. Please refer to the paragraph headed "—Pre-IPO Reorganization—(a) Conversion of the Convertible Notes" in this section for further details.
2. The percentage of the shareholding in the table is presented on the bases that (i) all the Convertible Notes are duly converted into shares of Century Sunshine pursuant to the Pre-IPO Reorganization Agreement before the Listing; (ii) the shares of Century Sunshine so converted are duly exchanged into our Shares pursuant to the Pre-IPO Reorganization Agreement before the Listing; and (iii) the Over-allotment Option is not exercised.

Details of other special rights granted to the Convertible Note Holders pursuant to the Investors Rights Agreement and the Convertible Notes are set out below.

(A) **Special rights granted under the Investors Rights Agreement**

Board representation

Starting from the issuance date of the Original Note, the board of Century Sunshine (being the indirect holder of our entire issued share capital) shall consist of five directors, of whom three shall be appointed by Dr. Lou and two shall be appointed by CS Sunshine, with Dr. Lou as chairman of the board. Directors appointed by CS Sunshine are referred to as "**Investor Directors**".

Quorum for shareholders' meetings

A quorum for shareholders' meetings of Century Sunshine shall consist of not less than 75% of the issued and outstanding Investor Shares; provided that if a quorum for the shareholders' meeting shall have failed in two consecutive instances as a consequence of the absence of the holders of the Investor Shares and Century Sunshine has duly provided notice of such shareholders' meeting to the holders of the Investor Shares, then a quorum of the shareholders' meeting shall consist of not less than a majority of the issued and outstanding shares.

Board approvals and written consents

Certain actions taken by Century Sunshine, Decade Sunshine and/or any members of our Group require the approval of a majority of the board of Century Sunshine including the approval of both Investors Directors. These actions ("**Actions Requiring Board Approval**") include, among others, any significant borrowing, investment, disposal, change of business, effecting a public offering and restructuring of Century Sunshine, Decade Sunshine or any member of our Group.

Certain actions taken by Century Sunshine, Decade Sunshine and/or any members of our Group require the written consent of the holders of at least 75% of the Investor Shares. These actions ("**Actions Requiring the Investor Share Holder's Consent**") include, among others, cessation of business, amendment of constitutional documents, change of share capital or composition of the board and winding up or dissolution of Century Sunshine, Decade Sunshine or any member of our Group.

Restriction on transfer

So long as CS Sunshine holds 15% of the original principal amount of the Original Note, 15% of the shares of Century Sunshine into which the original principal amount of the Original Note may be converted, 15% of the equity interests in the relevant entity into which the original principal amount of the Original Note may be exchanged or 15% of any combination of such securities, each Management Controlling Shareholder shall not transfer all or any portion of his securities or other interests in Century Sunshine, Decade Sunshine or any other member of our Group, other than transfers that are made in the manner stipulated in the Investors Rights Agreement.

Right of first refusal and tag-along rights

If any of our Management Controlling Shareholders proposes to transfer any shares of Century Sunshine pursuant to a bona fide offer to acquire all or any portion of his shares, such Management Controlling Shareholder (the "**Offeror**") shall send a written notice to the Convertible Note Holders setting out the details of the proposed transfer (the "**Offer Notice**"), including but not limited to, the number of shares of Century Sunshine to be transferred (the "**Offered Shares**"). The anticipated transfer shall not occur within 60 days after the date on which such Offer Notice is delivered. The issuance of an Offer Notice to the Convertible Note Holders shall constitute an offer by such Offeror.

The Convertible Note Holders shall have a period of up to 60 days following receipt of the Offer Notice (the "**Offer Period**") to elect to purchase up to their pro rata share of the Offered Shares (which is calculated based on the number of shares of Century Sunshine held by them on an as converted basis) set forth in the Offer Notice. The Convertible Note Holders shall have the right to accept the offer in the Offer Notice by giving a written notice of acceptance to such Offeror.

If any Convertible Note Holder does not exercise its right of first refusal, it shall have the tag-along right to participate in such sale or transfer.

Drag-along rights

If a Convertible Note Holder proposes to transfer any of its shares of Century Sunshine to a third party, such Convertible Note Holder shall have the rights to request Dr. Lou and Mr. Lou to sell their shares along with the Convertible Note Holder's shares.

Preemptive rights

Century Sunshine shall give each of its shareholders at least 30 days' prior written notice (the "**Issuance Notice**") of any proposed issuance by Century Sunshine of any shares. Each shareholder of Century Sunshine may elect to purchase any or all of its pro rata share of the shares to be issued as stated in the Issuance Notice (the "**Issuance Shares**") by delivering written notice to Century Sunshine within 15 business days following receipt of the Issuance Notice. If any shareholder of Century Sunshine declines or fails to exercise its right, or is deemed to have failed to exercise the right to purchase its pro rata share of the Issuance Shares, Century Sunshine shall provide a written notice (the "**Issuance Re-allotment Notice**") to the other shareholders of Century Sunshine which fully exercised their preemptive rights. Each shareholder of Century Sunshine who receives the Issuance Re-allotment Notice shall have the right to purchase such unpurchased Issuance Shares by notifying Century Sunshine in writing within 10 business days of receipt of the notice.

Put Option

If (i) the Convertible Note has been converted or exchanged and (ii) (1) none of Century Sunshine, Decade Sunshine or members of our Group has completed a public offering within six years after the Original Note Issuance Date (the "**Failed IPO Event**") or (2) a Put Triggering Event (as defined below) occurs (unless the holder(s) of 75% or more of the Investor Shares waive a Put Triggering Event) that in the reasonable opinion of the Convertible Note Holder after having consulted

with its professional adviser(s) renders a public offering of Century Sunshine, Decade Sunshine or any member of our Group incapable of being consummated within six years after the issuance date of the Original Note, each Convertible Note Holder shall have the right (the "**Put Option**") to require, at its sole discretion, either Century Sunshine or Shenyang Sunshine (each of them, the "**Purchaser**") to purchase all of its ordinary shares (the "**Put Shares**") at a price per ordinary share (the "**Put Option Price**") equal to the sum of: (i) the applicable conversion price for such share (when it was converted) and (ii) a premium calculated at the rate of 15% (in the case of a Put Triggering Event) or 10% (in the case of a Failed IPO Event) per annum on an annual compounding basis on such conversion price for the period from the Original Note Issuance Date to the date on which the Purchaser purchases such Put Shares pursuant to the Put Option.

A Put Triggering Event means any one or more of the following events:

(i) it is or will become unlawful or unenforceable for Century Sunshine, Mr. Lou or any of certain persons to perform or comply with any of his material obligations under any of the stipulated documents so long as such unlawfulness or unenforceability resulted from the willful misconduct or gross negligence of, or breach of any of the stipulated documents by, any of Century Sunshine, Mr. Lou or certain persons; or

(ii) Dr. Lou ceases to provide employment services for Century Sunshine, Decade Sunshine or our Group, other than any cessation resulting from Dr. Lou's death or involuntary termination of Dr. Lou's employment that is not as a result of Dr. Lou's willful misconduct, gross negligence or the breach of terms of his employment.

Information rights

Century Sunshine agreed to furnish certain financial information and copies of listing and related documents to each Convertible Note Holder, for so long as they own any shares in Century Sunshine, securities convertible into or exchangeable for shares of Century Sunshine and/or any options, warrants or other rights to acquire shares of Century Sunshine.

Century Sunshine further agreed to deliver to the Convertible Note Holders such information as reasonably requested by them and shall afford to them and their representatives reasonable access during normal business hours to all of the properties, books and records of Century Sunshine, Decade Sunshine or any member of our Group. Century Sunshine also agreed to keep the Convertible Note Holders informed of, among others, events, discussions, notices or changes with respect to any criminal or regulatory investigation or action involving Century Sunshine, Decade Sunshine or any member of our Group.

Exchange rights

CS Sunshine has the rights to exchange the Original Note (or the CS Note as the case may be) into an equity interest in Shenyang Sunshine such that the direct shareholding percentage of CS Sunshine in Shenyang Sunshine shall be the same as the indirect shareholding percentage of CS Sunshine in Shenyang Sunshine had CS Sunshine converted the Original Note (or the CS Note as the case may be) into shares of Century Sunshine at the then effective conversion price.

(B) **Termination of the special rights under the Investors Rights Agreement**

The special rights under the Investors Rights Agreement set out under (A) above shall terminate automatically upon the earlier of (i) the listing of the securities of Century Sunshine, Decade Sunshine or any member of our Group on the Stock Exchange or another exchange, and (ii) CS Sunshine or its affiliates ceasing to beneficially own any shares of Century Sunshine (on an as converted basis).

(C) **Special rights granted under the Convertible Notes**

Redemption rights

Upon the occurrence of an Event of Default (as defined below), the Convertible Note Holder may elect to require Century Sunshine to redeem the relevant Convertible Note in whole or in part, at a price with respect to the portion of the relevant Convertible Note that is being redeemed equal to the sum of (a) the outstanding principal portion of the Convertible Note being redeemed on the date of the redemption notice, (b) a redemption premium calculated at the rate of 15% per annum on an annual compounding basis on such portion of the Convertible Note and (c) any accrued but unpaid dividend premium on the redemption payment date.

An Event of Default includes, among others, any failure of payment or non-compliance with any covenant, condition or agreement pursuant to the Convertible Notes, the entering of certain judgments against Century Sunshine, Decade Sunshine or any member of our Group, the suspension or cessation of a substantial part of our business or the disposal of a whole or substantial part of our business or assets, and Dr. Lou ceasing to provide employment services for Century Sunshine, Decade Sunshine or any member of our Group except for certain specified circumstances.

Drag-along rights

If Century Sunshine fails to pay the Convertible Note Holders the redemption payment (due to an exercise of the redemption right above) on or before the due date, the Convertible Note Holders shall be entitled to exercise their drag-along rights pursuant to the Investors Rights Agreement.

Anti-dilution Cash Compensation

Save for certain exceptions, if Century Sunshine issues or sells any of its shares or their equivalents at a price per share that is less than the then effective conversion price of the Convertible Notes, Century Sunshine shall pay to each of the Convertible Note Holders an amount in cash (the "**Anti-dilution Cash Compensation**") in accordance with a pre-determined formula.

Board approvals and written consents

There are Century Sunshine board approval and written consent requirements under the Investors Rights Agreement and the Convertible Note Purchase Agreement similar to those required for taking Actions Requiring Board Approval and Actions Requiring the Investor Share Holder's Consent as provided in the paragraph headed "—Investment By CS Sunshine—(A) Special rights granted under the Investors Rights Agreement—Board approvals and written consents" in this section.

Information rights

Century Sunshine shall keep the Convertible Note Holders informed, on a current basis, of any events, discussions, notices or changes with respect to any criminal or regulatory investigation or action involving Century Sunshine, Decade Sunshine or any member of our Group, so that the Convertible Note Holders will have the opportunity to take appropriate steps to avoid or mitigate any regulatory consequences to them that might arise from such criminal or regulatory investigation or action.

Exchange right

Each of the Convertible Note Holders has the right to exchange its Convertible Note into an equity interest in Shenyang Sunshine such that its direct shareholding percentage of the Convertible Note Holder in Shenyang Sunshine shall be the same as its indirect shareholding percentage in Shenyang Sunshine had the relevant Convertible Note Holder converted its Convertible Note into shares of Century Sunshine at the then effective conversion price.

(D) **Termination of special rights under the Convertible Notes**

Under the Convertible Notes, it is agreed that the special rights set out under (C) above will automatically terminate upon the the listing of the shares of Century Sunshine, Decade Sunshine or any member of our Group on the Stock Exchange or another exchange as agreed between the parties.

INFORMATION ABOUT THE PRE-IPO INVESTORS

CS Sunshine is an investment holding company incorporated in the BVI on October 11, 2012. CS Sunshine is wholly-owned by CPE, which is an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of CPE is CITIC PE Associates, L.P., an exempted limited partnership registered under the laws of the Cayman Islands whose general partner is CITIC PE Funds Limited, an exempted company incorporated in the Cayman Islands with limited liability. CPE is a China-focused private equity fund.

Decheng was registered as an exempted limited partnership in the Cayman Islands on September 26, 2011. The general partner of Decheng is Decheng Capital China Management I (Cayman), LLC, a company incorporated in the Cayman Islands. Decheng primarily pursues investments in pharmaceuticals (including biopharmaceuticals and traditional Chinese medicine), medical devices, diagnostics, contract research and manufacturing organizations, healthcare services, healthcare IT, agricultural biotechnologies and industrial biotechnologies.

CS Sunshine (before the conversion of the CS Note at the time of the Pre-IPO Reorganization) and Decheng: (i) were not connected persons of our Company, (ii) did not acquire the Convertible Notes with finance directly or indirectly from a connected person of our Company, and (iii) did not take instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of the Convertible Notes (or shares of Century Sunshine upon conversion) registered in their names. As CS Sunshine is expected to hold 29.38% of the Shares in our Company after the

completion of the Global Offering if the Over-allotment Option is not exercised and 28.32% if the Over-allotment Option is exercised in full, it will be a substantial shareholder of our Company after the Listing. Decheng will be regarded as a member of the public and the Shares to be held by it after the Listing should be deemed as being in public hands pursuant to Rule 8.24 of the Listing Rules.

COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

The Joint Sponsors confirm that the investment by the Convertible Note Holders is in compliance with the Interim Guidance on Pre-IPO Investments issued on October 13, 2013 by the Stock Exchange, Guidance Letter HKEx-GL43-12 and Guidance Letter HKEx-GL44-12 based on their review of the relevant documentation.

CORPORATE RESTRUCTURING

Starting from March 2014, we underwent the Corporate Restructuring as follows:

(1) Termination of the Contractual Arrangements

On March 7, 2014, the Contractual Arrangements (as defined in the paragraph headed "—Corporate Development and Shareholding Changes of our Group—Liaoning Sunshine" in this section) were terminated and Shenyang Sunshine acquired the entire equity interest in Liaoning Sunshine from Mr. Lou at a consideration of RMB15 million pursuant to an equity transfer agreement dated March 7, 2014 and a termination agreement dated November 28, 2014. The termination and transfer have both been properly and legally completed.

(2) Acquisition of the remaining 10% equity interest in Liaoning Sunshine Technology from Ms. Su

To simplify our corporate structure, we acquired the remaining 10% equity interest in Liaoning Sunshine Technology from Ms. Su, a Management Controlling Shareholder who held the equity interest on behalf of Liaoning Sunshine. Pursuant to an equity transfer agreement dated October 27, 2014 entered into between Liaoning Sunshine and Ms. Su and a termination agreement dated November 28, 2014 entered into among Liaoning Sunshine, Liaoning Sunshine Technology and Ms. Su, Ms. Su agreed to assign the remaining 10% equity interest in Liaoning Sunshine Technology to Liaoning Sunshine for nil consideration and to terminate the nominee arrangement. The assignment and termination of the nominee arrangement were completed on October 27, 2014. After this assignment, Liaoning Sunshine Technology became a wholly-owned subsidiary of Liaoning Sunshine. The assignment has been properly and legally completed.

(3) **Transfer of the entire equity interest in Shenyang Sunshine from Collected Mind to Hongkong Sansheng**

To further streamline the structure of our Group, Hongkong Sansheng acquired from Collected Mind the entire equity interest in Shenyang Sunshine for consideration of allotment of one share by Hongkong Sansheng to Collected Mind pursuant to an equity transfer agreement dated October 28, 2014. The allotment of one share by Hongkong Sansheng was duly completed on November 16, 2014, after which Shenyang Sunshine became a direct wholly-owned subsidiary of Hongkong Sansheng. As confirmed by our PRC legal advisors, we have obtained all necessary approvals from the relevant PRC government authorities for the equity transfer and duly registered the equity transfer on November 25, 2014.

(4) **Disposal of Jiangsu Sunshine**

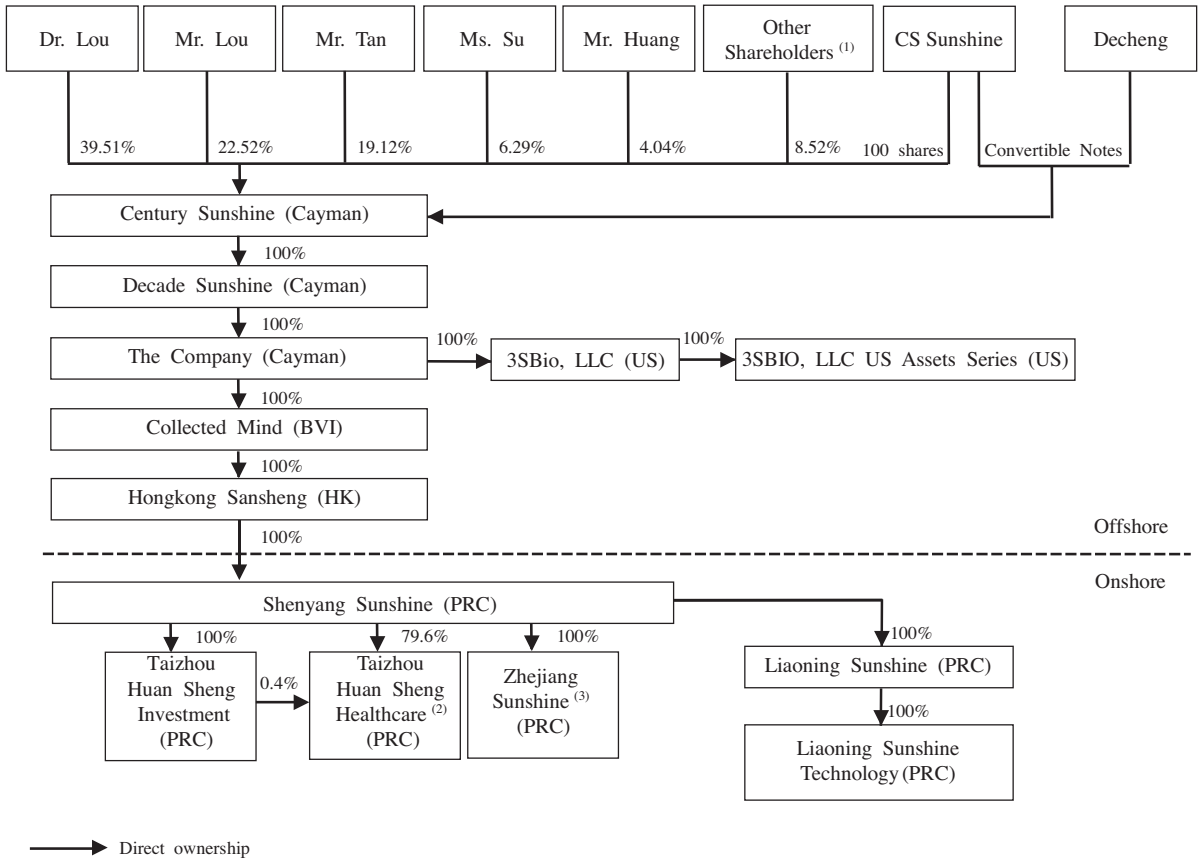
On November 12, 2014, Shenyang Sunshine and Liaoning Sunshine entered into an equity transfer agreement with Beijing Huansheng, pursuant to which Shenyang Sunshine and Liaoning Sunshine agreed to sell their 95% and 5% equity interests in Jiangsu Sunshine to Beijing Huansheng for approximately RMB30.6 million and RMB1.6 million, respectively. The considerations were determined based on a valuation of Jiangsu Sunshine as at August 31, 2014 by an asset appraisal firm and was reached after arm's length negotiations among the parties. The sale of the equity interest in Jiangsu Sunshine was properly and legally completed on November 12, 2014 and the consideration was fully paid as of March 31, 2015.

We considered that it was commercially beneficial for us to sell Jiangsu Sunshine to Beijing Huansheng since Jiangsu Sunshine had not yet commenced any business operation at the time and intended to engage in the provision of kidney dialysis services and related consultancy services, which did not form part of our core business. Furthermore, Jiangsu Sunshine's contribution to our Group's consolidated revenue and profit was insignificant during the Track Record Period. Our Directors believe that the disposal would not have any material adverse effect on our Group because Jiangsu Sunshine carries on different business from our core business and we realized a reasonable profit from the disposal.

Dr. Lou currently serves as the director and the legal representative of Jiangsu Sunshine and Beijing Huansheng. In order to ensure a smooth transition after the disposal, Dr. Lou has continued to act as Jiangsu Sunshine's director and legal representative. Dr. Lou intends to resign from these positions once Jiangsu Sunshine has identified a suitable candidate as replacement. However, our Directors believe that Dr. Lou's positions in Jiangsu Sunshine and Beijing Huansheng will not pose any conflicts of interest to our Group because the businesses of Jiangsu Sunshine and Beijing Huansheng are different from and do not compete directly or indirectly with our business. In any event, Dr. Lou is required to take actions that are consistent with his fiduciary duties under applicable laws and the Listing Rules. At the time of our disposal of Jiangsu Sunshine, Dr. Lou did not hold any beneficial interest in Beijing Huansheng. To the best of the knowledge, information and belief of our Directors having made all reasonable inquiries, Beijing Huansheng is an Independent Third Party.

OUR STRUCTURE AFTER COMPLETION OF THE CORPORATE RESTRUCTURING

The following diagram illustrates the corporate and shareholding structure of our Group immediately after completion of the Corporate Restructuring:



Notes:

(1) Besides our Management Controlling Shareholders and CS Sunshine, the remaining shareholdings in Century Sunshine are respectively held by Mr. Li Ke (李柯) as to 1.61%, Mr. Kong Deyu (孔德育) as to 0.81%, Mr. Thomas Folinsbee as to 0.13%, Ms. Li Huihui (厲蕙蕙) as to 1.70%, Mr. Chen Yongfu (陳永富) as to 0.08%, Ms. Hu Ming (胡明) as to 1.99%, Ms. Zhang Jiaoe (張皎娥) as to 1.76%, Ms. You Fei (由飛) as to 0.05%, Mr. Zhang Qingjie (張慶捷) as to 0.27%, Ms. Dang Hui (黨惠) as to 0.11% and Mr. Zhang Zhonghua (張忠華) as to 0.02%.

(2) Taizhou Huan Sheng Healthcare is a limited partnership controlled by its general partner, Taizhou Huan Sheng Investment. The interests of Taizhou Huan Sheng Healthcare are owned by Shenyang Sunshine as to 79.6%, Taizhou Huan Sheng Investment as to 0.4% and Taizhou CMC as to 20%, respectively. Taizhou CMC is an Independent Third Party.

(3) Zhejiang Sunshine was incorporated on June 6, 2014.

PRE-IPO REORGANIZATION

In accordance with the Pre-IPO Reorganization Agreement, our Company will conduct the following steps immediately before the Listing:

(a) **Conversion of the Convertible Notes**

Immediately prior to the Listing and subject to the satisfaction of the conditions precedent set forth in Pre-IPO Reorganization Agreement, each of CS Sunshine and Decheng will deliver to Century Sunshine conversion notices to convert their entire holdings of the CS Note and the Decheng Note into 27,782,512 and 1,120,742 ordinary shares of Century Sunshine, respectively.

(b) **Declaration of dividend and distribution in specie**

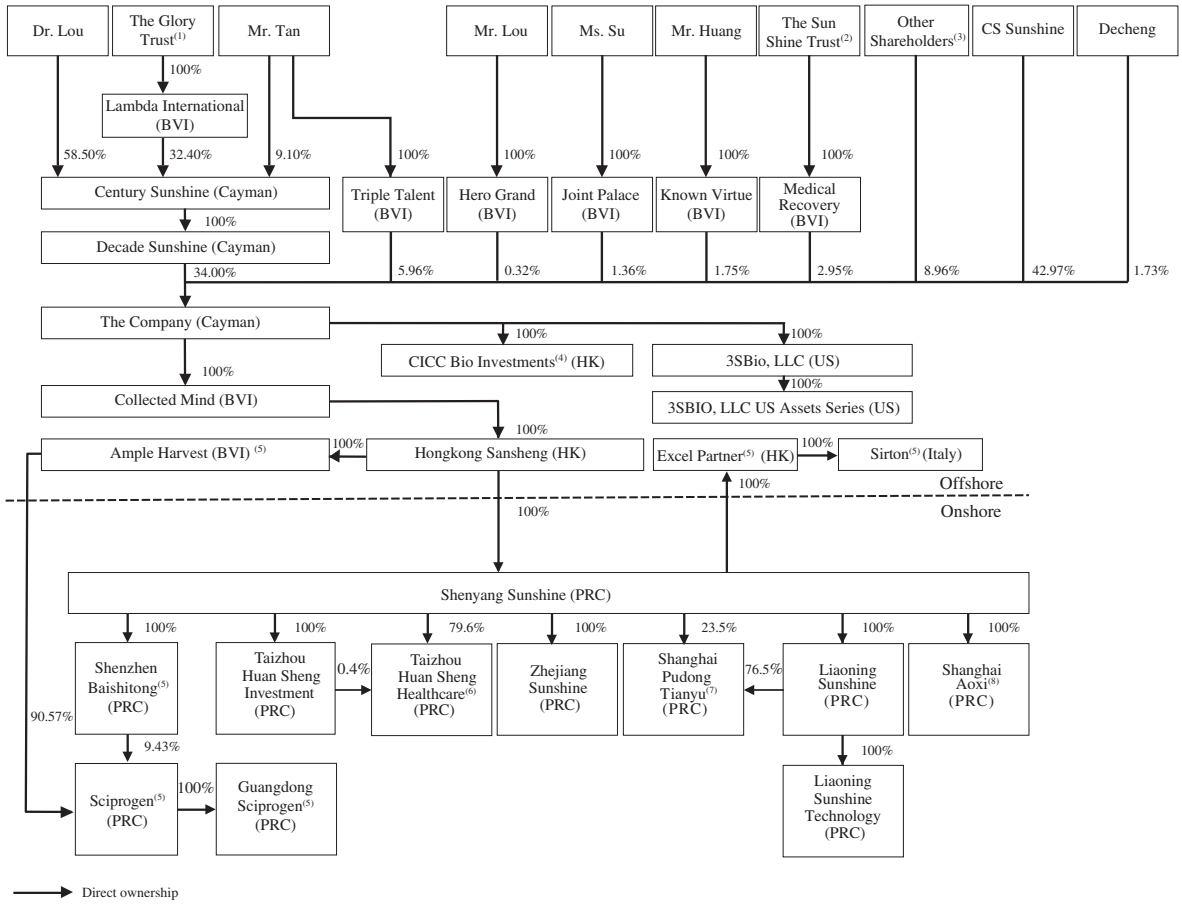
Immediately after the conversion of the Convertible Notes, Decade Sunshine will declare a dividend to be satisfied by way of a distribution in specie to Century Sunshine by transferring such number of Shares of our Company that is equivalent to 30 times of the number of shares of Century Sunshine held by the Participating Shareholders immediately before such declaration of dividend.

(c) **Share repurchase by Century Sunshine**

Immediately after the distribution in specie to Century Sunshine by Decade Sunshine, Century Sunshine will repurchase from the Participating Shareholders the issued and outstanding shares of Century Sunshine held by such Participating Shareholders. The consideration for such repurchase will be satisfied by transferring to the Participating Shareholders or their affiliates such number of Shares which is equivalent to 30 times of the number of shares of Century Sunshine held by the Participating Shareholders immediately before such repurchase. As a result, the shareholders of Century Sunshine who do not participate in the Pre-IPO Reorganization will remain as shareholders of Century Sunshine.

The Pre-IPO Reorganization will be completed immediately before the Listing, subject to certain conditions precedent including the Underwriting Agreements and the Global Offering becoming unconditional. Upon completion of the Pre-IPO Reorganization, all the Participating Shareholders or their affiliates will be directly holding the Shares in our Company, with the same percentage

shareholdings in our Company as they held in Century Sunshine before the Pre-IPO Reorganization. The following diagram illustrates the corporate and shareholding structure of our Group immediately after completion of the Pre-IPO Reorganization:



Notes:

(1) The Glory Trust is a trust established by Mr. Lou (as the settlor), with the Trustee acting as the trustee, for the benefits of Mr. Lou, his descendants, certain companies wholly owned by Mr. Lou, charities and persons declared by the Trustee as beneficiaries from time to time.

(2) The Sun Shine Trust is a trust established by Mr. Huang, Mr. Tan, Ms. Su and Mr. Li Ke (李柯) (as the settlors), with the Trustee acting as the trustee and the beneficiaries of which are employees of our Company and other persons declared by the advisory committee of the trust and/or the Trustee. Please refer to the section headed "Statutory and General Information — E. The Sun Shine Trust" in Appendix IV to this prospectus.

(3) The remaining shareholdings in our Company are respectively held by Yorkwin Finance Limited (旭永金融有限公司) as to 0.53%, Mr. Kong Deyu (孔德育) as to 0.41%, Mr. Thomas Folinsbee as to 0.07%, New Hayride Limited as to 0.86%, Mr. Chen Yongfu (陳永富) as to 0.04%, Bonus Nation Limited as to 1.00%, Wise Win Group Limited as to 0.88%, Ms. You Fei (由飛) as to 0.02%, Topresult Management Limited as to 0.14%, Ms. Dang Hui (黨惠) as to 0.05%, Mr. Zhang Zhonghua (張忠華) as to 0.01%, Ever Diligent Holdings Limited (永勤控股有限公司) as to 1.35%, Fu Chuang Limited (富創有限公司) as to 1.53%, Thrive Path Limited as to 0.62% and CICC Harvest Limited as to 1.45%.

(4) Please refer to the paragraph headed "—Acquisitions, Investments and Disposal" in this section for further details on the acquisition of CICC Bio Investments.

(5) Please refer to the paragraph headed "—Acquisitions, Investments and Disposal" in this section for further details on the acquisitions of Sciprogen and Sirton.

(6) Taizhou Huan Sheng Healthcare is a limited partnership controlled by its general partner, Taizhou Huan Sheng Investment. The interests of Taizhou Huan Sheng Healthcare are owned by Shenyang Sunshine as to 79.6%, Taizhou Huan Sheng Investment as to 0.4% and Taizhou CMC as to 20%, respectively. Taizhou CMC is an Independent Third Party.

(7) Shanghai Pudong Tianyu is a limited partnership established in the PRC which is controlled by its general partner, Liaoning Sunshine. Please refer to the paragraph headed "—Acquisitions, Investments and Disposal—Acquisition of interest in CP Guojian" in this section for further details on the acquisition of Shanghai Pudong Tianyu.

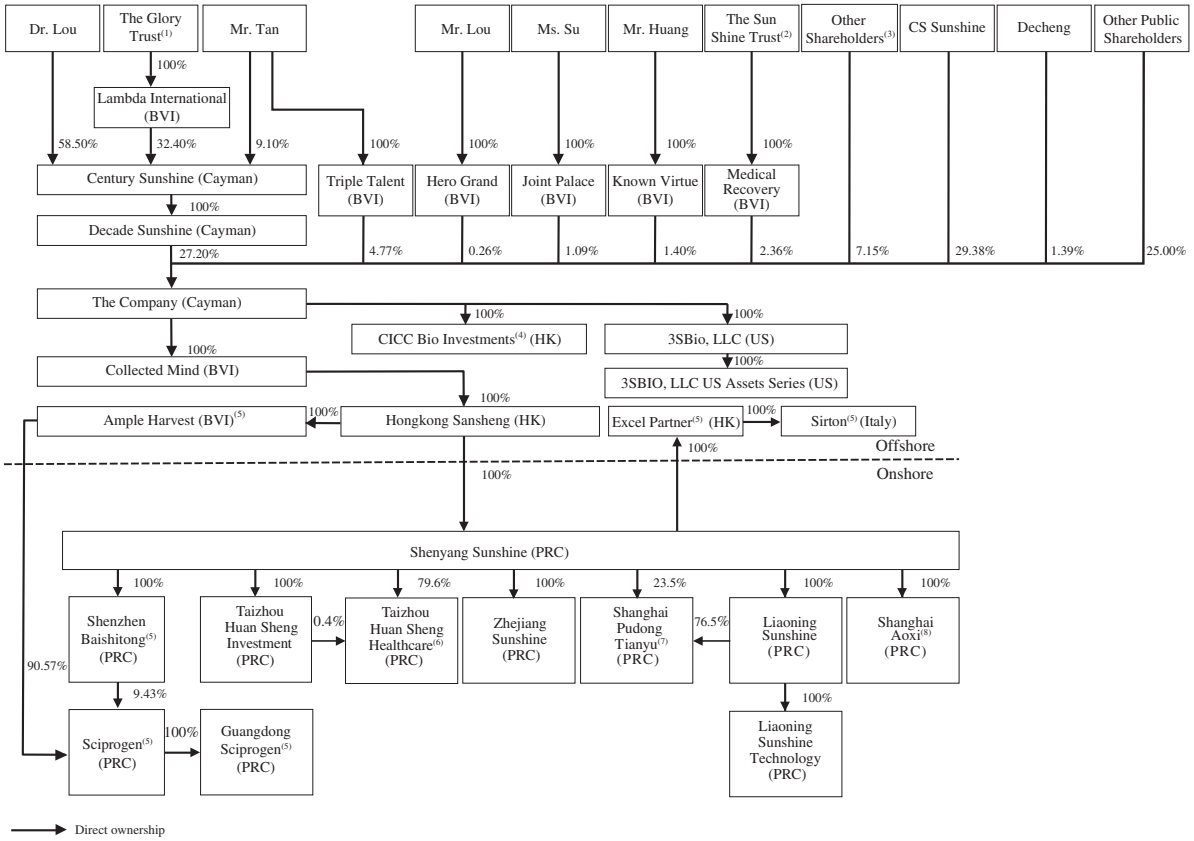
(8) Shanghai Aoxi was incorporated on December 18, 2014.

SALE OF THE SALE SHARES BY THE SELLING SHAREHOLDER

As part of the Global Offering, the Selling Shareholder will offer 121,220,000 Sale Shares for sale pursuant to the International Placing. Please refer to the section headed "Structure of the Global Offering" for details of sale of the Sale Shares by the Selling Shareholder.

OUR STRUCTURE IMMEDIATELY FOLLOWING THE GLOBAL OFFERING

The following diagram illustrates the corporate and shareholding structure of our Group immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

(1) The Glory Trust is a trust established by Mr. Lou (as the settlor), with the Trustee acting as the trustee, for the benefits of Mr. Lou, his descendants, certain companies wholly owned by Mr. Lou, charities and persons declared by the Trustee as beneficiaries from time to time.

(2) The Sun Shine Trust is a trust established by Mr. Huang, Mr. Tan, Ms. Su and Mr. Li Ke (李柯) (as the settlors), with the Trustee acting as the trustee and the beneficiaries of which are employees of our Company and other persons declared by the advisory committee of the trust and/or the Trustee. Please refer to the section headed "Statutory and General Information — E. The Sun Shine Trust" in Appendix IV to this prospectus.

(3) The remaining shareholdings in our Company are respectively held by Yorkwin Finance Limited (旭永金融有限公司) as to 0.42%, Mr. Kong Deyu (孔德育) as to 0.32%, Mr. Thomas Folinsbee as to 0.05%, New Hayride Limited as to 0.68%, Mr. Chen Yongfu (陳永富) as to 0.03%, Bonus Nation Limited as to 0.80%, Wise Win Group Limited as to 0.71%, Ms. You Fei (由飛) as to 0.02%, Topresult Management Limited as to 0.11%, Ms. Dang Hui (黨惠) as to 0.04%, Mr. Zhang Zhonghua (張忠華) as to 0.01%, Ever Diligent Holdings Limited (永勤控股有限公司) as to 1.08%, Fu Chuang Limited (富創有限公司) as to 1.22%, Thrive Path Limited as to 0.50% and CICC Harvest Limited as to 1.16%.

(4) Please refer to the paragraph headed "—Acquisitions, Investments and Disposal" in this section for further details on the acquisition of CICC Bio Investments.

(5) Please refer to the paragraph headed "—Acquisitions, Investments and Disposal" in this section for further details on the acquisitions of Sciprogen and Sirton.

(6) Taizhou Huan Sheng Healthcare is a limited partnership controlled by its general partner, Taizhou Huan Sheng Investment. The interests of Taizhou Huan Sheng Healthcare are owned by Shenyang Sunshine as to 79.6%, Taizhou Huan Sheng Investment as to 0.4% and Taizhou CMC as to 20%, respectively. Taizhou CMC is an Independent Third Party.

(7) Shanghai Pudong Tianyu is a limited partnership established in the PRC which is controlled by its general partner, Liaoning Sunshine. Please refer to the paragraph headed "—Acquisitions, Investments and Disposal—Acquisition of CP Guojian" in this section for further details on the acquisition of Shanghai Pudong Tianyu.

(8) Shanghai Aoxi was incorporated on December 18, 2014.

OVERVIEW

We are a leading biotechnology company in China. According to Frost and Sullivan, we ranked first among PRC companies in terms of sales from mammalian cell-based biopharmaceuticals and ranked second among PRC companies in terms of sales from all biopharmaceuticals in 2013. As a pioneer in the PRC biotechnology industry, we have extensive expertise in developing, manufacturing and marketing biopharmaceuticals. Our two core products, TPIAO and EPIAO, are market leaders in China. TPIAO, our proprietary product, is the only commercialized rhTPO product in the world. EPIAO leads the PRC rhEPO market with a market share of 43.6% by sales in 2013, more than the combined market shares of the next six largest competitors. We have recently acquired Sciprogen, a company with an rhEPO product, SEPO. We believe that the addition of SEPO to our product portfolio will increase our penetration into Grade II and Grade I hospitals, where rhEPO sales have been experiencing significant growth. In addition, we have eight other products in nephrology, oncology and other therapeutic areas.

We have a robust pipeline of 20 product candidates, 14 of which are being developed as National Class I New Drugs (國家一類新藥) in China. We have eight product candidates in nephrology, including three next-generation erythropoiesis-stimulating agents ("**ESAs**"). We have six product candidates in oncology, including three mAb therapeutics. We also have several product candidates that target auto-immune diseases with unmet treatment needs such as rheumatoid arthritis and refractory gout.

We operate in a highly attractive industry. Biotechnology has revolutionized the pharmaceutical industry by addressing unmet medical needs and offering innovative treatments for a wide array of human diseases. The biotechnology industry requires interdisciplinary research and development expertise, entails complex manufacturing processes and faces stringent government regulation. As a pioneer in the PRC biopharmaceutical industry, we are one of the few established players that can benefit from the attractive opportunities in the fast-growing PRC biotechnology industry. In China, the biotechnology industry enjoys strong government support and has been selected by the State Council as a key strategic industry. Strong government support along with increasing physician adoption of biopharmaceuticals has driven strong industry growth in China. The PRC biopharmaceutical market reached RMB27.0 billion in 2013, representing a CAGR of 25.2% from 2009 to 2013, outpacing the growth of the overall PRC pharmaceutical industry, which grew at a CAGR of 18.3% during the same period, according to IMS.

We are well positioned to expand our global presence. We expect to start Phase I clinical trials in the United States for TPIAO in the near future. In 2014, we started multi-center biosimilar clinical trials for EPIAO in Russia and Thailand. In the long term, we aim to market our rhEPO products in developed countries by development and registration through biosimilar pathways. Furthermore, we are collaborating with international partners to develop and market our product candidates, such as pegsiticase and mAb therapeutics.

Our core products are market leaders in China and have significant growth potential:

- TPIAO is our proprietary product and a National Class I New Drug in China, and has been the only commercialized rhTPO product in the world since its launch in 2006. TPIAO has

been approved by the CFDA for two indications: the treatment of chemotherapy-induced thrombocytopenia ("**CIT**") and the treatment of immune thrombocytopenia ("**ITP**"). It has experienced significant sales growth due to increasing patient demand and physician acceptance. Sales of TPIAO in China increased from RMB210.4 million in 2012 to RMB444.7 million in 2014, representing a CAGR of 45.4%. We believe TPIAO sales will continue to grow significantly as we further increase hospital penetration, enhance physician awareness and pursue additional therapeutic indications while the PRC government further improves insurance coverage.

- EPIAO is the only rhEPO product approved by the CFDA for three indications: the treatment of anemia associated with chronic kidney disease ("**CKD**"), the treatment of chemotherapy-induced anemia ("**CIA**") and the reduction of allogeneic blood transfusion in surgery patients. EPIAO has consistently been the market leader in the PRC rhEPO market since 2002. In 2014, EPIAO was sold to over 920 Grade III hospitals in China. Sales of EPIAO in China increased from RMB372.9 million in 2012 to RMB594.1 million in 2014, representing a CAGR of 26.2%. We recently acquired another rhEPO product, SEPO, which will help broaden our market coverage, especially in lower-tier hospitals, where rhEPO has been experiencing significant growth. We believe that, with EPIAO and SEPO, we will strengthen our leadership in the growing rhEPO market in China.

We have integrated research and development capabilities with a proven track record of success. Our integrated research and development expertise spans the areas of discovery and development of biopharmaceuticals including molecular cloning, gene expression, cell line construction and process development, as well as design and management of pre-clinical and clinical trials, manufacturing process development and analytic process development for quality control and assurance. We developed TPIAO, the only commercialized rhTPO product in the world. In addition, we collaborate with leading companies and research institutions to develop innovative pharmaceuticals. We have entered into a strategic cooperation with CP Guojian, an industry leader in the PRC mAb sector, for the research and development, registration, manufacturing and marketing of mAb therapeutics. We are developing eight product candidates in collaboration with global partners. Our research and development capabilities have also enabled us to become one of the few PRC companies with both out-licensing and in-licensing agreements with international partners.

We mainly promote and sell biopharmaceuticals with a dedicated in-house sales team and an academic marketing approach. Our in-house sales team of over 600 sales professionals has an average of more than eight years of experience in marketing pharmaceuticals. After many years of extensive academic marketing, we have raised product awareness and established a strong reputation among leading hospitals and medical professionals. In 2014, our products reached over 60% of all Grade III hospitals in China as of November 30, 2014. Our strong relationships with hospitals and medical professionals throughout China help us to effectively promote complementary products and quickly launch new products.

We have accumulated extensive expertise and know-how in manufacturing biopharmaceuticals. We are able to efficiently mass produce biopharmaceuticals while consistently ensuring high quality. In September 2011, the CFDA approved our voluntary upgrade of manufacturing specifications to fully align the product quality of EPIAO with European Pharmacopoeia standards. We also have

continuously improved our production efficiency. Our average production batch yields for EPIAO increased more than two-fold during the Track Record Period, contributing to noticable gross margin improvement. We believe our manufacturing expertise and know-how will further solidify our long-term competitiveness.

Our business grew rapidly during the Track Record Period. Our total revenue increased from RMB656.1 million in 2012 to RMB875.4 million in 2013 and further to RMB1,130.9 million in 2014, representing a CAGR of 31.3%. Our net profit was RMB101.9 million, RMB96.1 million and RMB291.7 million in 2012, 2013 and 2014, respectively. Our adjusted net profit increased from RMB130.6 million in 2012 to RMB274.9 million in 2013 and further to RMB411.0 million in 2014, representing a CAGR of 77.4%. Please refer to the section headed "Financial Information—Non-IFRS Measure" in this prospectus for more information on adjusted net profit.

OUR STRENGTHS

We believe the following strengths have contributed to our success and differentiated us from our competitors:

A Market Leader in the Highly Attractive PRC Biotechnology Industry

We are a leading biotechnology company in China. According to Frost and Sullivan, we ranked first among PRC companies in terms of sales from mammalian cell-based biopharmaceuticals and ranked second among PRC companies in terms of sales from all biopharmaceuticals in 2013. Our two core products, TPIAO and EPIAO, are market leaders in China. TPIAO, our proprietary product, is the only commercialized rhTPO product in the world. EPIAO leads the PRC rhEPO market with a market share of 43.6% by sales in 2013, more than the combined market shares of the next six largest competitors. Our newly acquired second rhEPO product, SEPO, complements EPIAO by addressing the strong demand from Grade II and Grade I hospitals. In addition, we have eight other products in nephrology, oncology and other therapeutic areas.

We operate in a highly attractive industry. Biotechnology has revolutionized the pharmaceutical industry by addressing unmet medical needs and offering innovative treatment of a wide array of human diseases. The biotechnology industry requires interdisciplinary research and development expertise, entails complex manufacturing processes and faces stringent government regulation. As a pioneer in the PRC biopharmaceutical industry, we are one of the few established players that can benefit from the attractive opportunities in the fast-growing PRC biotechnology industry. In China, the biotechnology industry enjoys strong government support and has been selected by the State Council as a key strategic industry. Strong government support along with increasing physician adoption of biopharmaceuticals has driven strong industry growth in China. The PRC biopharmaceutical market reached RMB27.0 billion in 2013, representing a CAGR of 25.2% from 2009 to 2013, outpacing the growth of the overall PRC pharmaceutical industry, which grew at a CAGR of 18.3% during the same period, according to IMS.

We believe that, as a market leader in the PRC biotechnology industry, we have significant advantages over our existing competitors and potential market entrants, for the following reasons:

- our extensive expertise in developing, manufacturing and marketing biopharmaceuticals allows us to further expand market shares of our existing products and to achieve fast commercialization of new products;

- our business scale enables us to increase our production, sales and management efficiency and strengthen our core competitiveness; and

- our strong brand recognition and market leadership position enable us to capture industry consolidation opportunities in the fast-growing biopharmaceutical market.

Market-Leading Products with Significant Growth Potential

TPIAO is our proprietary product and a National Class I New Drug in China. As the only commercialized rhTPO product in the world, TPIAO is an innovative new drug for the treatment of platelet deficiency. The clinical efficacy of TPIAO for the treatment of platelet deficiency has been published in over 100 journal articles in China and abroad since 2005. TPIAO has been approved by the CFDA for the treatment of CIT and ITP. Compared to alternative treatments of CIT and ITP, TPIAO generally results in faster platelet recovery and fewer side effects, according to Frost and Sullivan. TPIAO's share in the PRC CIT drug market grew from 30.3% in 2011 to 33.8% in 2013. Such growth is mainly driven by increasing physician awareness of TPIAO's safety and efficacy as a treatment of CIT.

TPIAO is still at an early stage of its product life cycle and has significant growth potential. According to Frost and Sullivan, among CIT patients in need of rhTPO therapy in China, only approximately 10% actually received such treatment in 2012. Driven by rising cancer prevalence and improving insurance coverage, the overall CIT drug market in China is expected to grow from RMB908.6 million in 2013 to RMB2.3 billion in 2018. Similarly, among ITP patients in need of treatment in China, the penetration of TPIAO was less than 10% in 2013, according to Frost and Sullivan. We believe we can leverage our strengths in academic marketing to capture a substantial portion of the growing CIT and ITP markets. Furthermore, biopharmaceutical products tend to have long life cycles and we plan to expand TPIAO's approved indications to further extend its life cycle.

EPIAO is the dominant leader in the PRC rhEPO market. According to Frost and Sullivan, EPIAO had a market share of 43.6% by sales in 2013, more than the combined market shares of the next six largest competitors. EPIAO is the only rhEPO product approved by the CFDA for three indications: the treatment of anemia associated with CKD, the treatment of CIA and the reduction of allogeneic blood transfusion in surgery patients. Furthermore, EPIAO is the only rhEPO product in China available in 36,000 IU dosage, which targets CIA patients, who generally require higher rhEPO dosages than CKD patients. In September 2011, the CFDA approved our voluntary upgrade of manufacturing specifications to fully align the product quality of EPIAO with European

Pharmacopoeia standards. In addition to EPIAO's quality and wide range of indications and dosages, we believe that our dedicated in-house sales team and focus on academic marketing differentiate us from other rhEPO manufacturers in China and contribute to EPIAO's success in the PRC rhEPO market.

We believe that our rhEPO products have significant potential to grow as the target patient population increases and our market coverage expands. Late-stage CKD patients and chemotherapy patients often suffer anemia and require rhEPO therapy. Only 22.7% of late stage CKD patients in China received dialysis treatment in 2013, compared to over 90% in Taiwan and Japan, according to Frost and Sullivan. Driven by the increasing cancer incidence rate, the number of chemotherapy patients grew from 2.3 million in 2008 to approximately 2.7 million in 2012, according to Frost and Sullivan. In the growing rhEPO market, we believe that our EPIAO will continue to be a dominant player in Grade III hospitals. We will focus the sales of SEPO on Grade II and Grade I hospitals, where rhEPO has been experiencing significant growth. Supported both by our EPIAO and SEPO products, we believe that we will be able to further strengthen our leadership position in the rhEPO market.

IV Iron Sucrose and Sparin have diversified our product portfolio and generated sales synergies with our core products. IV Iron Sucrose, our iron sucrose injection product, is often prescribed in combination with EPIAO to late-stage CKD patients and CIA patients. According to IMS, from 2009 to 2013, the iron sucrose injection market in China grew at a CAGR of 36.0%. Sparin, our injectable LMWH-Ca product, which was newly added through the Sciprogen acquisition, is for the prevention of blood clotting during dialysis, as well as prevention and treatment of deep vein thrombosis and embolism. From 2009 to 2013, the heparin market in China grew at a CAGR of 24.7%, according to IMS.

Robust Pipeline of Innovative Products Supported by Integrated Research and Development Capabilities

We have integrated research and development capabilities with a proven track record of success. We are a pioneer in the PRC biotechnology industry with a history of introducing innovative biopharmaceutical products in China, starting from Intefen, which was approved by the CFDA in 1995 and one of the first interferon alpha-2a products marketed in China. We also developed TPIAO, the only commercialized rhTPO product in the world, and EPIAO, one of the earliest and now the dominant rhEPO product in China.

Our integrated capabilities include the discovery and development of biopharmaceuticals, as well as clinical testing, manufacturing process development and analytic process development for quality control and assurance. We are able to develop and manufacture biopharmaceuticals based on both mammalian cell and bacterial cell platforms.

We focus on biopharmaceuticals with significant market potential in our core therapeutic areas of nephrology and oncology. We also select product candidates in other fast growing therapeutic areas especially auto-immune diseases. In addition to in-house reseach and development, we collaborate with leading companies and research institutions to develop innovative pharmaceuticals. Our research and development expertise enables us to identify and collaborate with partners while minimizing risks

associated with early-stage product research and development. Our research and development capabilities have enabled us to become one of the few PRC companies with both out-licensing and in-licensing agreements with international partners. We are currently developing eight product candidates in cooperation with global partners.

Relying on our integrated research and development capabilities, we have selected and are developing a robust product pipeline in our core therapeutic areas of nephrology and oncology, as well as auto-immune diseases and other therapeutic areas:

- In nephrology, we have eight product candidates, including NuPIAO, PEG-EPO, HIF-PH inhibitor, cinacalcet hydrochloride, sevelamer carbonate, colestilan, voclosporin and DJ5, with which we expect to further strengthen our brand recognition and market leadership in this area.

- In oncology, we have six product candidates, including PEG-irinotecan, Bcl-2/xL inhibitor, IAP inhibitor, leukotuximab, tanibirumab and DIG-KT, with which we expect to further expand our offerings in this fast-growing area.

- In auto-immune diseases and other therapeutic areas, we have several product candidates, including anti-TNF α mAb, pegsiticase, eltrombopag, nadroparin calcium and fondaparinux sodium, which target treatment of major diseases with unmet medical needs such as rheumatoid arthritis and refractory gout.

Among these product candidates, we believe that NuPIAO, anti-TNF α mAb and pegsiticase will have the most significant impact on our business in the next decade. Furthermore, we believe that we will be able to further expand our product portfolio in the coming years and solidify our position as a leader in the PRC biopharmaceutical industry.

Strong In-house Sales Capability Enabling Us to Effectively Promote and Sell Innovative Biopharmaceuticals

We mainly promote and sell biopharmaceuticals with a dedicated in-house sales team and a focus on academic marketing, which we believe differentiate us from our competitors and strengthen our leading position in China.

We have an experienced and stable in-house sales and marketing team covering an extensive nationwide sales and distribution network of over 3,400 hospitals in 2014. Our effective in-house sales team has helped us achieve a dominant market position in Grade III hospitals for our core products. In 2014, our products reached over 60% of all Grade III hospitals in China as of November 30, 2014. Our in-house sales team of over 600 sales professionals has on average more than eight years of experience in marketing pharmaceuticals. Furthermore, a majority of our executives and regional managers in sales have been working in our Company for over 10 years.

Our sales and marketing efforts are characterized by a strong emphasis on academic promotion. We regularly organize academic conferences, seminars and symposia for physicians and other medical professionals. After many years of extensive academic marketing, we have established and maintained

strong relationships with leading hospitals and medical professionals. We believe these relationships will allow us to effectively market and sell our existing products and new biopharmaceuticals to be launched from our pipeline. They will also facilitate our expansion into lower-tier markets in China through third-party promoters.

We continuously enhance our sales productivity. Our average monthly sales per sales representative increased from approximately RMB159,000 in 2012 to approximately RMB176,000 in 2013 and further to approximately RMB182,000 in 2014. At the same time, our sales and marketing expenses as a percentage of revenue decreased from 46.4% in 2012 to 38.9% in 2013 and further to 38.2% in 2014.

Strong Manufacturing Expertise Ensuring High Product Quality and Efficiency

We have accumulated extensive expertise and know-how in manufacturing biopharmaceuticals. Such expertise and know-how allow us to efficiently mass produce biopharmaceuticals while consistently ensuring high quality. We impose rigorous manufacturing standards to ensure our product quality and safety, which we believe help differentiate our products from those of our competitors. In September 2011, the CFDA approved our voluntary upgrade of manufacturing specifications to fully align the product quality of EPIAO with European Pharmacopoeia standards. We also continuously improve our production efficiency. Our average batch yield for EPIAO increased more than two-fold during the Track Record Period, contributing to the improvement in our gross margin from 89.3% in 2012 to 90.5% in 2013 and further to 92.3% in 2014. We believe our ability to deliver high quality products with cost efficiency also enables us to accelerate product registration and expand market reach in foreign countries. Therefore, our manufacturing expertise and know-how set a solid foundation for our long-term growth.

An Experienced and Visionary Management Team with Proven Ability to Lead Our Growth

Our core management team comprises a group of seasoned biotechnology industry professionals with a strong track record and proven execution capabilities. In particular, we are led by our co-founder, president, chief executive officer and chairman of our Board, Dr. Lou Jing, who has worked in the biotechnology industry for over 20 years. Dr. Lou conducted post-doctoral research at the National Institutes of Health of the United States after obtaining a Ph.D. degree in molecular and cell biology from Fordham University in February 1994. Dr. Lou led the development of TPIAO and EPIAO and has played an instrumental role in both our research and development efforts and our overall business growth.

Along with Dr. Lou, other members of our core management team have also led our business growth. Ms. Su Dongmei joined us in January 1993 and is the co-inventor of four of our patents. Ms. Su also leads strategic planning, research and development and other major decision-making of our Company. Mr. Tan Bo joined us as our chief financial officer in February 2009. Mr. Tan has extensive experience in the financial and pharmaceutical industries from previous work in pharmaceutical companies, private equity and equity research.

Our senior management team has extensive industry expertise, innovative vision and strong execution capabilities. Members of our senior management team on average have more than 15 years

of experience in the biotechnology or pharmaceutical industries. Many of them have worked with overseas leading global biopharmaceutical companies. They bring extensive industry experience and in-depth knowledge on the intricacies of managing a biotechnology company. Their expertise range from research and development to manufacturing, sales, marketing and distribution.

We believe that our management team will continue to lead our business and growth in the fast-growing PRC biopharmaceutical industry.

OUR STRATEGIES

Our mission is to provide better care for patients through innovation and excellence. We aim to strengthen our leadership position in the PRC biotechnology industry and to significantly expand our international business. The key elements of our strategies are set out below:

Further Develop the PRC rhTPO Market

The rhTPO market in China is projected to grow to RMB1,260.8 million in 2018, according to Frost and Sullivan. We plan to significantly increase TPIAO's sales by focusing on Grade III hospitals. In 2014, TPIAO was sold to over 800 Grade III hospitals, where the majority of sales was contributed by approximately 10% of such hospitals. Through increased marketing efforts, we intend to increase TPIAO sales to the remaining 90% of the Grade III hospitals we cover, with a focus on hematology and oncology departments, as well as intensive care units. We also plan to increase our TPIAO sales force in order to expand our coverage to other Grade III hospitals.

In addition, we intend to increase TPIAO's market penetration in China by strengthening our academic marketing efforts to enhance physician awareness. For the CIT indication, we plan to further promote TPIAO's better safety and efficacy over its alternatives. We will conduct clinical studies to explore TPIAO's preventive use for cancer patients prone to CIT. For the ITP indication, we aim to increase expert acceptance of using TPIAO to treat ITP. In addition, we plan to expand TPIAO's approved indications, such as leukemia, sepsis-induced thrombocytopenia and aplastic anemia.

As TPIAO is increasingly accepted by leading medical experts, we expect that national and provincial insurance coverage for TPIAO will continue to improve. In the next few years, we aim to have TPIAO included in more provincial medical insurance catalogues for the treatment of CIT without the limitation to work-related injuries. We are also pursuing the inclusion of TPIAO in provincial or national medical insurance catalogues for the treatment of ITP.

We are also developing eltrombopag, a small-molecule product designed for the treatment of ITP, which can be orally administered to patients. We filed an IND application with the CFDA for eltrombopag in September 2014.

Strengthen Our Leadership Position in the PRC rhEPO Market

The rhEPO market in China is expected to grow to RMB2,954.8 million in 2018, according to Frost and Sullivan. We intend to strengthen and further solidify our leadership position in the growing PRC rhEPO market by increasing our market penetration and developing next-generation rhEPO products.

Leveraging the strength of having two rhEPO products, we will be able to maximize our market coverage by having different target markets and sales channel for EPIAO and SEPO. While relying on our in-house sales force to further strengthen our EPIAO leadership position in Grade III hospitals, we will also work closely with a network of third-party promoters to expand SEPO coverage in Grade II and Grade I hospitals, where we believe rhEPO sales are expected to grow faster than the overall PRC rhEPO market. In addition, we plan to leverage our cooperation with DaVita to capture the growth in the private sector of the PRC rhEPO market. DaVita and we intend to enter into an agreement whereby we shall exclusively supply rhEPO products to clinical centers operated by DaVita, including its affiliates, in China.

We aim to achieve additional growth by promoting rhEPO's CIA and reduction of allogeneic blood transfusion indications. For the CIA indication, we intend to increase academic marketing to oncologists to improve market penetration for EPIAO and SEPO. For the indication of reduction of allogeneic blood transfusions, we intend to cooperate with leading physicians such as gynecologists and orthopedic surgeons to conduct clinical studies to promote EPIAO's clinical advantages. We also aim to increase EPIAO and SEPO sales by pursuing the expansion of their insurance coverage. We are pursuing the inclusion of EPIAO and SEPO in additional provincial medical insurance catalogues, and ultimately the National Medical Insurance Catalogue, for all of their approved indications.

Furthermore, we intend to solidify our leadership in the PRC rhEPO market by developing and commercializing new innovative rhEPO products. We are currently developing NuPIAO and PEG-EPO, two second-generation rhEPO products with an extended half-life and increased biologic activity, allowing for less frequent administration and therefore improving convenience for both patients and caregivers. We are now conducting Phase I clinical trials for NuPIAO in China and aim to introduce it to the market by 2020. We are also developing HIF-PH inhibitor, a small-molecule ESA that can be orally administered. We expect to file an IND application with the CFDA for HIF-PH inhibitor in 2016.

Expand Our Innovative Product Portfolio Through In-house Research and Development and Collaborative Partnerships

We plan to continue to make significant investments in product development and innovation. We will leverage our proven capabilities in biotechnology and expertise in our core therapeutic areas to identify promising product candidates. We intend to expand our product pipeline through in-house research and development, as well as collaborative arrangements, such as in-licensing and strategic alliances.

Our market-oriented research and development efforts focus on product candidates in therapeutic areas with large and fast-growing clinical demand in China, including nephrology, oncology and auto-immune diseases. We have a diversified pipeline consisting of innovative product candidates in various stages of development. We target to launch at least five new products by 2019. Fourteen of our current product candidates are being developed as National Class I New Drugs in China.

We plan to continue to devote significant efforts to our in-house research and development. We are currently developing two next-generation rhEPO product candidates, NuPIAO and PEG-EPO. We are also developing TPIAO for the treatment of aplastic anemia. In 2006, we acquired a license to develop anti-TNF α mAb, a mAb product candidate in pre-clinical development. Through our in-house development efforts, we have successfully advanced to anti-TNF α mAb Phase I clinical trial in China.

We intend to complement our in-house capabilities by collaborating with domestic and international research and development partners. We are currently developing three mAb product candidates in the oncology area with international partners. We have also entered into strategic cooperation with CP Guojian, an industry leader in the PRC mAb sector. Through such cooperation, we believe that we will benefit from CP Guojian's expertise in mAb research and development. In addition, we have entered into a strategic alliance with Ascentage Pharma, a research company focusing on small-molecule apoptosis inducers, to develop innovative cancer drugs. Furthermore, we intend to develop cutting-edge immunotherapy product candidates. We believe that our integrated recombinant protein research and development platform and manufacturing expertise make us an attractive partner to other biopharmaceutical companies.

We also intend to expand and balance our product portfolio by developing and in-licensing chemical pharmaceutical product candidates to increase productivity of our sales and marketing team in the therapeutic areas we focus on. We believe our expertise and experience in our core therapeutic areas allow us to identify chemical pharmaceutical product candidates that complement and synergize with our biotechnology products.

Expand Our Business and Strengthen Our Core Competence through Acquisitions and Strategic Investments

We intend to seek opportunities to acquire or invest in companies with biotechnology or chemical pharmaceutical products or candidates that complement our current product portfolio. We are primarily interested in companies with attractive product portfolios or strong research and development capabilities.

We take a market-driven approach in assessing potential acquisition targets. We primarily focus on the market potential of a target's products and pipeline and potential synergies with our existing product portfolio and pipeline. We plan to identify and acquire biotechnology companies with strengths in recombinant protein or mAb therapeutics to solidify our leadership position in the PRC biopharmaceutical industry. For example, we recently added two revenue-generating products to our portfolio through the Sciprogen acquisition. We also recently acquired a minority stake in CP Guojian, a PRC leader in mAb therapeutics, with whom we intend to engage in extensive strategic cooperation. We also plan to identify and acquire pharmaceutical companies specializing in small-molecule drugs in our core therapeutic areas to complement our product portfolio and increase sales productivity. We believe that our extensive industry knowledge and expertise will not only assist us in making acquisition decisions, but also make us a more desirable buyer to other pharmaceutical companies. Furthermore, we believe that our strong business execution capabilities will help us integrate the acquired businesses to create synergies with our existing business.

Expand Our Network of Third-Party Promoters to Broaden Our Market Coverage

We plan to primarily rely on third-party promoters to market some of our products, including SEPO, Sparin, Intefen, Inleusin, Gan Xin, Si Qu Di, Rui Si Yi and Wan Wei. We intend to expand our network of third-party promoters to help us broaden our market coverage in China. We believe that third-party promoters will help increase our product penetration in a wide range of markets, particularly lower-tier cities and smaller hospitals, where pharmaceutical sales have significant growth potential.

We have recently established a new business department by integrating Sciprogen's third-party promoter network with our original network. We also intend to leverage our strength in academic promotion and logistic capabilities to provide more marketing support for our network of third-party promoters.

Grow Our International Business Through Global Product Registration and Development

We currently export some of our products through distribution agreements with local agents to countries including Brazil, Thailand and Egypt. As an important strategy, we plan to increase our international sales through overseas product registration and development by leveraging our brand, research and development capabilities, product quality and manufacturing efficiency.

For TPIAO, we plan to increase its overseas sales by expanding its international registrations, especially in large and developed markets. In July 2013, we were granted a non-exclusive license by Genentech, Inc. to sell TPIAO worldwide without infringing certain TPO-related U.S. patents owned by Genentech, Inc. We expect to file an Investigational New Drug ("**IND**") application with the USFDA in May 2015 and plan to start Phase I clinical trials in the United States immediately after the IND application is approved. Since 2013, we have been collaborating with Ranbaxy Laboratories Ltd, which was acquired by Sun Pharmaceutical Industry Ltd, to market TPIAO in India. We also commenced the product registration processes in Mexico in 2014.

EPIAO is currently registered and approved for sale in 13 foreign countries. We plan to increase our marketing efforts by working with local agents to further penetrate these markets. We also intend to increase EPIAO's overseas sales by expanding its international registrations. In 2014, we started multi-center biosimilar clinical trials for EPIAO in Russia and Thailand. These clinical trials are expected to be completed by the end of 2016. We have also received the GMP authorization for EPIAO in Turkey, and registration is expected to complete by the end of 2016. In the long term, we aim to market our rhEPO products in the European Union and the United States by development and registration through the biosimilar pathway. We believe the high quality and attractive cost of EPIAO will differentiate it from existing rhEPO products in these markets.

In addition, we intend to expand our international business through strategic collaboration and acquisition. We have acquired the rights to develop and market three mAb therapeutics in both China and certain developing markets. In 2014, we granted a license to Selecta Biosciences, Inc., a U.S.-based company, to develop, commercialize and sell pegsiticase internationally. We also recently acquired Sirton, an Italy-based pharmaceutical manufacturer, establishing our footprint in Europe.

We intend to continue to leverage our research and development capabilities and manufacturing expertise to develop new products for international markets. We may also collaborate with existing overseas partners or seek new partners to co-develop and commercialize products to grow our international business.

OUR PRODUCTS

We primarily market and sell 11 pharmaceutical products. Our core products are EPIAO and TPIAO, which together accounted for approximately 90% of our total sales of goods during the Track Record Period. Our product portfolio also includes IV Iron Sucrose, SEPO, Sparin, Intefen, Inleusin, Gan Xin, Si Qu Di, Rui Si Yi and Wan Wei. The table below sets forth our sales of goods breakdown by product in absolute amounts and as percentages of our total sales of goods for the periods indicated:

	For the year ended December 31,					
	2012		2013		2014	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
PRC Sales						
EPIAO	372,912	55.7	478,719	53.9	594,056	52.1
TPIAO	210,391	31.4	314,159	35.4	444,676	39.0
IV Iron Sucrose	34,268	5.1	46,124	5.2	64,737	5.7
Intefen	4,649	0.7	4,896	0.6	5,820	0.5
Inleusin	2,963	0.4	3,660	0.4	3,624	0.3
Others[(1)]	4,726	0.7	919	0.1	2,505	0.2
Export Sales[(2)]	40,040	6.0	39,327	4.4	24,761	2.2
Total	669,949	100.0	887,804	100.0	1,140,179	100.0

Note:

(1) Including sales of Gan Xin and other products sourced from our suppliers, as well as revenue from operation of dialysis centers, which we discontinued in 2012 after the establishment of DaVita JV, and sales of dialysis consumables; excluding sales of SEPO and Sparin, which we acquired on December 31, 2014.

(2) During the Track Record Period, we exported EPIAO, TPIAO, IV Iron Sucrose and Intefen to a total of 16 countries.

We primarily focus on two large and fast growing therapeutic areas: nephrology and oncology. TPIAO and EPIAO are used in the oncology area to treat CIA and CIT, respectively. EPIAO is primarily used in the nephrology area to treat anemia associated with CKD. Additionally, we have several other products and a number of product candidates in these two therapeutic areas.

The following table sets forth additional information relating to our products:

Product	National new drug class	Approved dosage	Format	Manufacturing permit number
EPIAO® (rhEPO) (益比奧®)	B2[1]	2,000 IU	vial and pre-filled syringe	S19980073
		3,000 IU	vial and pre-filled syringe	S19980074
		4,000 IU	vial and pre-filled syringe	S19980072
		10,000 IU	vial and pre-filled syringe	S20010001
		36,000 IU[5]	vial	S20113005
TPIAO® (rhTPO) (特比澳®)	B1[2]	7,500 units	vial	S20050049
		15,000 units	vial	S20050048
IV Iron Sucrose (iron sucrose injection) (蔗糖鐵注射液)	C6[2]	5 ml: 100 mg iron	vial	H20055756
SEPO (rhEPO) (賽博爾®)	B2[3]	2,000 IU	vial and prefilled syringe	S20010039
		2,500 IU	vial and prefilled syringe	S20010040
		3,000 IU	vial and prefilled syringe	S20010041
		4,000 IU	vial and prefilled syringe	S20010042
		5,000 IU	vial and prefilled syringe	S20010018
		10,000 IU	vial and prefilled syringe	S20133011
Sparin (LMWH-Ca) (賽博利®).	C4[2]	0.5 ml: 5,000 AXa	vial	H20060191
		1 ml: 5,000 AXa	vial	H20060190
Intefen® (interferon alpha-2a) (因特芬®)	B2[1]	1 MIU	lyophilized powder	S10970087
		3 MIU	lyophilized powder	S10970089
		5 MIU	lyophilized powder	S10970088
	B4[3]	1 MIU	vial	S20010049
		3 MIU	vial	S20010050
		5 MIU	vial	S20010051
Inleusin® (interleukin 2) (英路因®)	B2[1]	0.1 MIU	lyophilized powder	S10970086
		0.2 MIU	lyophilized powder	S10970085
		0.5 MIU	lyophilized powder	S10970084
		1 MIU	lyophilized powder	S10970083
Gan Xin (metadoxine) (甘忻) ..	C3[2]	0.5 g	tablet	H20060280
Si Qu Di (docetaxel) (斯曲帝).	C4[2]	0.5 ml : 20 mg	vial	H20051044
Rui Si Yi (anastrozole) (瑞斯意)	C4[4]	1 mg	tablet	H20010532
Wan Wei (azasetron) (萬唯).....	C4[4]	2 ml : 10 mg	vial	H20010105

Notes:

(1) As defined in the Measures for New Biological Product Approval (《新生物製品審批辦法》) (1985 edition), which was in effect when the relevant new drug registration was approved, Class II biological products (denoted B2 in this column) are dead vaccines, toxoids, antitoxins, antisera, specific immune globulins, bacteriophages and diagnostic supplies for internal human use.

(2) As defined in the Measures for Drug Registration (《藥品註冊管理辦法》) or the Measures for the Administration of Drug Registration (Trial) (《藥品註冊管理辦法》(試行)), which was in effect when the relevant new drug registration was approved, Class I biological products for therapeutic uses (denoted B1 in this column) are biological products that have not been previously approved for sale in China or abroad; Class III chemical drugs (denoted C3 in this column) are chemical drugs that have been launched abroad but not in China; Class IV chemical drugs (denoted C4 in this column) are chemical drugs or active pharmaceutical ingredients containing an acid radical, base or metallic element that is different from a launched product but with the same pharmacological effects as the launched product; and Class VI chemical drugs (denoted C6 in this column) are chemical drugs or active pharmaceutical ingredients with established national standards.

(3) As defined in the Measures for New Biological Product Approval (《新生物製品審批辦法》) (1999 edition), which was in effect when the relevant new drug registration was approved, Class II biological products (denoted B2 in this column) are biological products that have been approved for sale abroad but have not been included in any pharmacopoeias nor been approved for importation into China; and Class IV biological products (denoted B4 in this column) are biological products that have been included in foreign pharmacopoeias, biological products that have been approved for importation into China and biological products that have changed dosages or methods of administration.

(4) As defined in the Measures for New Drug Approval (《新藥審批辦法》), which was in effect when the relevant new drug registration was approved, Class IV chemical drugs (denoted C4 in this column) include, among others, chemical drugs or active pharmaceutical ingredients that have been included in pharmacopoeias abroad, chemical drugs or active pharmaceutical ingredients that have been imported into China and chemical drugs or active pharmaceutical ingredients containing an acid radical, base or metallic element that is different from a known product but with the same pharmacological effects as the known product.

(5) As of the Latest Practicable Date, we were the only manufacturer approved for this dosage by the CFDA.

Our Core Products

EPIAO (益比奧)

EPIAO is an injectable recombinant human erythropoietin (rhEPO). Erythropoietin (EPO) is a natural growth factor produced in healthy kidneys that regulates production of red blood cells. EPIAO and other rhEPO products are used to stimulate the production of red blood cells in patients with anemia.

Patients with CKD, particularly late-stage patients undergoing dialysis treatments, often suffer from anemia because their kidneys are not able to produce sufficient amounts of EPO. Cancer patients receiving chemotherapy treatments may also suffer from anemia, which sometimes forces them to cease chemotherapy treatments. EPIAO and other rhEPO products can be used to treat such anemias, thereby improving the life quality for CKD and cancer patients and reducing the need for blood transfusions. In addition, EPIAO can be administered to surgery patients to prevent or ameliorate anemia caused by blood loss during surgeries.

Launched in 1998, EPIAO was one of the first CFDA-approved rhEPO products marketed in China. EPIAO has been approved by the CFDA for three indications: the treatment of anemia associated with CKD, the reduction of allogeneic blood transfusion in surgery patients and the treatment of CIA. As of the Latest Practicable Date, EPIAO was the only rhEPO product approved for all three indications in China.

- In 1998, EPIAO's first indication, the treatment of anemia associated with CKD, was approved by the CFDA. As of the Latest Practicable Date, EPIAO was included in the National Medical Insurance Catalogue as a Category B drug for the treatment of anemia associated with CKD.

- In 2000, EPIAO's second indication, the reduction of allogeneic blood transfusion in surgery patients, was approved by the CFDA. As of the Latest Practicable Date, EPIAO was included in three provincial medical insurance catalogues (Hubei, Shaanxi and Zhejiang) for the reduction of allogeneic blood transfusion in surgery patients.

- In 2001, EPIAO's third indication, the treatment of CIA in cancer patients with non-myeloid malignancies, was approved by the CFDA. As of the Latest Practicable Date, EPIAO was included in eight provincial medical insurance catalogues (Fujian, Hainan, Heilongjiang, Hubei, Jilin, Liaoning, Shaanxi and Shanghai) for the treatment of CIA.

EPIAO is manufactured at our mammalian cell-based production plant in Shenyang.

We offer different dosages of EPIAO to provide treatment flexibility and convenience for both patients and caregivers. We developed the 36,000 IU EPIAO product to allow for less frequent administration than lower dosage forms. Our 36,000 IU dosage EPIAO product is the only approved rhEPO product at this dosage level in China and is typically used for the treatment of CIA. CIA and surgery patients generally require higher rhEPO dosages than CKD patients. Our 36,000 IU EPIAO allows CIA patients to use one shot of 36,000 IU injection instead of four shots of 10,000 IU injection in the initial boosting stage for commonly accepted practice.

All of our approved dosages of EPIAO, other than 36,000 IU, are available in both the vial format and the pre-filled syringe format. Launched in June 2007, the pre-filled syringe EPIAO has been an important addition to our product portfolio because of its enhanced safety, ease of use and flexibility for self-administration at home.

A study published in September 2008 by the Journal of Pharmaceutical Sciences demonstrated the manufacturing quality of EPIAO. The study, which was sponsored by Amgen Inc., compared its innovator rhEPO product, Epogen, with a dozen rhEPO brands marketed by Asia-based companies. We believe that the published results of the study showed that, among the surveyed rhEPO products, EPIAO was one of the most similar to Epogen in terms of the tested biochemical and biophysical properties, including protein isoform variations and protein aggregation.

We hold a PRC patent related to EPIAO, which is valid until 2023. The patent covers the composition and production method of a stable rhEPO preparation. Because rhEPO is an instable substance, protective agents are added to increase its stability and extend its useful shelf life. In 2005, EPIAO was recognized as a well-known brand by the Shenyang municipal government and a well-known trademark by the Shenyang Municipal Administration for Industry and Commerce. The following table sets forth the material awards EPIAO has received:

Award	Grantor	Year
First Class Award for the Advancement of Science and Technology	Shenyang municipal government	1998
Second Class Award for the Advancement of Science and Technology	Liaoning provincial government	1999
Third Class Award for the Industrialization of Scientific and Technological Achievements	Liaoning provincial government	2007

In 2014, EPIAO was sold to over 2,600 hospitals in China as well as in six foreign countries. In China, we primarily rely on our in-house sales team to market and sell EPIAO. The sales volume of EPIAO increased by 25.5% from 2012 to 2013 and by 20.0% from 2013 to 2014. The average selling price of EPIAO increased by 2.3% from 2012 to 2013 and by 3.4% from 2013 to 2014 primarily due to the decreases in our applicable value-added tax ("**VAT**") rate from 17% to 6% which we started to adopt in April 2013 and further to 3% in July 2014. Because retail prices of our products determined in the provincial tendering processes are inclusive of VAT, a reduction in the applicable VAT rate would increase the pre-tax retail prices and hence the average selling prices of our products. Sales of EPIAO in China increased from RMB372.9 million in 2012 to RMB478.7 million in 2013 and further to RMB594.1 million in 2014, representing a CAGR of 26.2%. In 2012, 2013 and 2014, sales of EPIAO in China accounted for 55.7%, 53.9% and 52.1%, respectively, of our total sales of goods.

In China, EPIAO competes primarily with other rhEPO products offered by domestic companies including Harbin Pharmaceutical Group Bioengineering Co., Ltd. (哈藥集團生物工程有限公司), Shanghai Chemo Wanbang Biopharma Co., Ltd. (上海凱茂生物醫藥有限公司), Beijing Sihuan Biopharmaceutical Co., Ltd. (北京四環生物製藥有限公司), Chengdu Diao Pharmaceutical Group Co., Ltd. (成都地奧製藥集團有限公司), and others rhEPO manufacturers. According to IMS, EPIAO has been ranked as the number one rhEPO product in China since 2002 in terms of sales. In 2012 and 2013, EPIAO maintained its dominant rhEPO market share by sales of 42.9% and 43.6%, respectively, which exceeded the combined market shares of the next six largest competitors in China.

In 2014, we started multi-center biosimilar clinical trials for EPIAO in Russia and Thailand. These clinical trials are expected to be completed by the end of 2016.

TPIAO (特比澳)

TPIAO is a recombinant human thrombopoietin (rhTPO) product used for the treatment of certain types of thrombocytopenia, a deficiency of platelets. Thrombopoietin (TPO) is a hemopoietic, or blood or blood cell-related, growth factor protein. TPO stimulates production of megakaryocytes, cells with

a multilobed nucleus in the bone marrow and liver, which release mature platelets and raise the circulating platelet count in the blood. TPIAO may be used to stimulate platelet production in patients suffering from platelet deficiency associated with blood stem cell transplantation, cancer chemotherapy, late-state liver diseases, or for other pathological reasons.

We are the first company in the world to have developed and commercialized an rhTPO product. Since its launch in 2006, TPIAO has remained the only approved rhTPO product in China. TPIAO has been approved by the CFDA for two indications.

- In 2005, TPIAO's first indication, the treatment of CIT, was approved by the CFDA. As of the Latest Practicable Date, TPIAO was included in the National Medical Insurance Catalogue as a Category B drug for the treatment of CIT in connection with work-related injuries and was the only product included under the platelet boosting drug category. As of the Latest Practicable Date, TPIAO was also included in seven provincial medical insurance catalogues (Hainan, Heilongjiang, Jilin, Liaoning, Shaanxi, Shanghai and Tibet) for the treatment of CIT without the work-related injury limitation.

- In 2010, TPIAO's second indication, the treatment of ITP, was approved by the CFDA. The *Chinese Experts' Consensus on the Diagnosis and Treatment of Adult Primary Immune Thrombocytopenia (Revised)* (《成人原發免疫性血小板減少症診治的中國專家共識(修訂版)》), published in March 2011, recommended rhTPO as a secondary treatment of ITP. As of the Latest Practicable Date, TPIAO was included in one provincial medical insurance catalogue (Tibet) for the treatment of ITP.

TPIAO is manufactured at our mammalian cell-based production plant in Shenyang. Our TPIAO products are available in two dosages, 7,500 units and 15,000 units.

We hold a PRC patent related to TPIAO, which is valid until 2020. Although two of our TPIAO-related patents expired in 2015, we believe that TPIAO is adequately protected from direct competition by our currently effective patent as well as new patents for which we have applied and plan to apply. The expired TPIAO-related patents protect the methods used for constructing rhTPO cell lines. However, cell line construction is only one of the early steps in manufacturing rhTPO products. Our other TPIAO-related patent protects our preparation method for large-scale production of rhTPO from inoculation to downstream processing with an emphasis on ensuring high purity and high biological activity. Furthermore, to strengthen the protection of TPIAO, we applied for one new PRC patent in 2014 covering TPIAO's application in intestinal tissue injury and plan to apply for two additional PRC patents in 2015 covering TPIAO's application in stem cell transplantation and TPIAO's purification process, respectively.

TPIAO was recognized as a National Key New Product by four PRC state ministries in 2006 and has been recognized as a National Class I New Drug by the CFDA. The following table sets forth the material awards TPIAO has received:

Award	Grantor	Year
First Class Award for the Advancement of Science and Technology	Shenyang municipal government	2006
First Class Award for Excellent New Products	Liaoning provincial government	2010

In 2014, TPIAO was sold to over 1,350 hospitals in China as well as five foreign countries. In China, we primarily rely on our in-house sales team to market and sell TPIAO. The sales volume of TPIAO increased by 47.7% from 2012 to 2013 and by 35.7% from 2013 to 2014. The average selling price of TPIAO increased by 1.1% from 2012 to 2013 and by 4.3% from 2013 to 2014 primarily due to the decreases in our applicable VAT rate from 17% to 6% which we started to adopt in April 2013 and further to 3% in July 2014. Sales of TPIAO in China increased from RMB210.4 million in 2012 to RMB314.2 million in 2013 and further to RMB444.7 million in 2014, representing a CAGR of 45.4%. In 2012, 2013 and 2014, sales of TPIAO in China accounted for 31.4%, 35.4% and 39.0%, respectively, of our total sales of goods.

TPIAO does not face direct competition in China, as TPIAO is the only rhTPO product available in the PRC market to date. In addition to patent protection, we believe that the heavily glycosylated molecular structure of TPIAO presents a significant manufacturing barrier for potential entrants to the rhTPO market. Our expired TPIAO-related patents only covered the methods for constructing rhTPO cell lines and only contain generic descriptions of the other aspects of rhTPO production and purification methods. Our currently valid patent protects the basic manufacturing process of TPIAO. Without such patent protection, a competitor may be able to produce compounds with the same amino acid sequence as TPIAO after repeated experimentation. However, to achieve TPIAO's heavily glycosylated molecular structure, biological activity and batch yield, extensive manufacturing know-how would be required in addition to the information contained in the abovementioned patents. We believe that, without our technical know-how on detailed manufacturing processes, which are our commercial secrets, other companies are unlikely to manufacture rhTPO products with comparable quality to TPIAO without many years of development. Information on IND applications submitted to the CFDA is published on the website of the CFDA. Based on such public information, the Directors and the Joint Sponsors are not aware of any other pharmaceutical companies applying for IND approval from the CFDA in respect of their rhTPO products as of the Latest Practicable Date. Because it typically takes over ten years from the initial IND application to the launch of a biopharmaceutical product, it is highly unlikely that any rhTPO products similar to TPIAO will be launched in China in the near future.

Currently, TPIAO competes with other treatments for CIT and ITP. In the CIT market, TPIAO primarily competes with the recombinant form of human interleukin 11 (rhIL-11). We believe that TPIAO is a safer and more effective product for the treatment of CIT than rhIL-11. According to Frost and Sullivan, in 2012 and 2013, TPIAO's share by sales in the PRC CIT drug market was 31.3% and 33.8%, respectively, gaining market shares from other CIT drugs. In the ITP market, TPIAO primarily competes with alternative treatment methods including corticosteroids, intravenous immunoglobulins, splenectomy and certain chemical drugs. The majority of ITP patients are elderly patients who are not suitable for conventional steroid treatment due to their poor physical conditions. TPIAO represents a new approach for the treatment of ITP for these patients. Compared to alternative treatments of ITP, TPIAO has the advantages of quicker onset, fewer side effects and better safety, according to Frost and Sullivan.

We are currently in the process of applying for regulatory approval to market TPIAO in the United States. We expect to file an IND application with the USFDA in 2015 and plan to start Phase I clinical trials in the United States shortly after the IND application is approved.

Our Other Products

IV Iron Sucrose (蔗糖鐵)

IV Iron Sucrose, our iron sucrose injection product, is a complex of polynuclear iron (III)-hydroxide in a sucrose solution for intravenous administration. IV Iron Sucrose is indicated for the treatment of iron deficiency anemia. Treatment options for iron deficiency anemia include oral iron therapy, intravenous iron therapy and blood transfusion. Compared to other forms of iron supplements such as oral iron supplements and iron dextran injections, iron sucrose injections have quicker onset, better efficacy, fewer side effects and more efficient iron absorption, according to Frost and Sullivan. Iron sucrose can be administered either intravenously or orally. Both oral and intravenous formulations are available in PRC and overseas markets. Intravenous iron therapy, such as IV Iron Sucrose, may be necessary to treat those iron deficiency anemia patients who do not absorb iron well in the gastrointestinal tract, suffer from severe iron deficiency or cannot tolerate oral iron therapy. IV Iron Sucrose can be prescribed in combination with EPIAO for late-stage CKD patients suffering from anemia or for patients with late-stage iron deficiency. As of the Latest Practicable Date, IV Iron Sucrose was included in the National Medical Insurance Catalogue as a Category B drug.

IV Iron Sucrose was launched in China in 2005 by its developer, Shenyang Borui Pharmaceutical Company Limited ("**Borui**"). Through Liaoning Sunshine, we obtained five-year exclusive PRC distribution rights for this product from Borui in May 2006. We began to generate revenue from sales of IV Iron Sucrose in early 2007. In 2008, through Liaoning Sunshine, we entered into various agreements with Borui and Chengdu Tiantaishan Pharmaceutical Co. Ltd. ("**Tiantaishan**"), the manufacturer for this product, to acquire additional rights to the IV Iron Sucrose. Pursuant to these agreements and a supplement agreement with Tiantaishan, we hold the exclusive PRC distribution rights to this product until September 2018.

Under our cooperation agreement with Tiantaishan, Tiantaishan manufactures IV Iron Sucrose in accordance with our orders and with raw materials and packaging materials provided by us at our own expense. Under the agreement, we are required to pay 50% of the manufacturing expenses for an order, as calculated with the unit prices specified in the agreement, two weeks before production starts and to pay the balance within two weeks after the ordered products have been delivered and have passed inspection. Tiantaishan must ensure a batch yield of no less than 88%. If the finished products do not meet our quality standards for reasons attributable to Tiantaishan, Tiantaishan must re-manufacture the products at its own cost and pay damages for any delay in delivery.

In 2014, IV Iron Sucrose was sold to over 1,100 hospitals in China as well as three foreign countries. In China, we primarily rely on our in-house sales team to market and sell IV Iron Sucrose. We believe that our strong brand reputation and sales coverage in the PRC nephrology market can help us effectively market products complementary to our core product EPIAO, including IV Iron Sucrose. Our sales of IV Iron Sucrose in China increased from RMB34.3 million in 2012 to RMB46.1 million in 2013 and further to RMB64.7 million in 2014, representing a CAGR of 37.4%. In 2012, 2013 and 2014, sales of IV Iron Sucrose in China accounted for 5.1%, 5.2% and 5.7%, respectively, of our total sales of goods.

In China, IV Iron Sucrose primarily competes with iron sucrose injection products marketed by Nanjing Hengsheng Pharmaceutical Co., Ltd. (南京恒生製藥有限公司) and Shanxi Powerdone Pharmaceutics Co., Ltd. (山西普德藥業股份有限公司). According to IMS, IV Iron Sucrose's market share in the PRC iron sucrose injection market was 13.4% and 14.8% in 2012 and 2013, respectively. According to IMS, IV Iron Sucrose ranked third in terms of sales in the PRC iron sucrose injection market in each of these periods and grew at a faster rate than each of its larger competitors from 2009 to 2013.

SEPO (賽博爾)

SEPO is an injectable rhEPO product manufactured and marketed by Sciprogen, which we acquired in December 2014.

Launched in 2001, SEPO has been approved by the CFDA for the treatment of anemia associated with CKD and the treatment of CIA. As of the Latest Practicable Date, SEPO was included in the National Medical Insurance Catalogue as a Category B drug for the treatment of anemia associated with CKD and in eight provincial medical insurance catalogues (Fujian, Hainan, Heilongjiang, Hubei, Jilin, Liaoning, Shaanxi and Shanghai) for the treatment of CIA.

SEPO is manufactured at our Shenzhen production facilities. SEPO is offered in six dosages ranging from 2,000 IU to 10,000 IU, all of which are available in both vial format and pre-filled syringe format. SEPO and EPIAO are two of the only three rhEPO products in China approved for the 10,000 IU dosage.

We hold a PRC patent related to SEPO, which is valid until 2031. The patent covers a serum-free medium that increases the amount and stability of EPO expression and a method for efficiently expressing EPO in CHO cells with said medium. SEPO was recognized as a well-known trademark by the Guangdong Administration for Industry and Commerce in 2014.

In China, we primarily rely on third-party promoters to market and sell SEPO. In 2014, SEPO was also exported to two countries.

In China, SEPO primarily competes with other rhEPO products offered by domestic companies. According to IMS, SEPO ranked tenth in the PRC rhEPO market in 2013 with a market share of 3.0% in terms of sales.

Sparin (賽博利)

Sparin is an injectable low-molecular-weight heparin calcium ("**LMWH-Ca**") product manufactured and marketed by Sciprogen, which we acquired in December 2014.

Heparin is the most widely used anticoagulant. LMWH-Ca is derived from depolymerization of standard heparin. Compared to standard heparin, LMWH-Ca has the advantages of lower side effects and more predictable anticoagulant response.

Sparin was launched in 2006. Sparin has been approved by the CFDA for two indications: (1) prophylaxis and treatment of deep vein thrombosis and (2) prevention of clotting during hemodialysis. As of the Latest Practicable Date, Sparin was included in the National Medical Insurance Catalogue as a Category B drug and was included in the National Essential Drug List (《國家基本藥物目錄》).

Sparin is manufactured at our Shenzhen production facilities. Sparin is offered in two dosages: 1 ml: 5,000 AXa and 0.5 ml: 5,000 AXa. We primarily rely on third-party promoters to market and sell Sparin.

In China, Sparin primarily competes with other heparin products, including standard heparin and low-molecular-weight heparin products.

Intefen (因特芬)

Intefen is a recombinant human interferon alpha-2a product for the treatment of malignancies of the lymphatic or hematopoietic system, and viral infectious diseases, including adult chronic hepatitis B, acute and chronic hepatitis C and genital warts. Interferon is a protein that is produced naturally in the body in trace amounts. When exposed to viruses, certain cells produce interferon, which is released into the bloodstream or intercellular fluid to induce healthy cells to produce enzymes and proteins that counter and combat the infection. The anti-cellular or immuno-regulatory functions of interferon enable interferon products to play a central role against certain tumor and autoimmune diseases. Interferon alpha has been manufactured by pharmaceutical companies for therapeutic use against hairy-cell leukemia, hepatitis C and hepatitis B, as well as for treatment of genital warts and some rare cancers of the blood and bone marrow.

We obtained CFDA approval to manufacture and market Intefen in April 1995 and launched the product in December 1995. We believe that it was one of the first interferon alpha-2a products marketed in China. Intefen is manufactured at our bacterial cell-based production plant in Shenyang. Our Intefen products are available in lyophilized powder and injectable solution, each in three dosages: 1 MIU, 3 MIU and 5 MIU. As of the Latest Practicable Date, Intefen was included in the National Medical Insurance Catalogue as a Category B drug.

We primarily rely on third-party promoters to market and sell Intefen in China. Our sales of Intefen in China were relatively stable during the Track Record Period, but as a percentage of our total sales of goods decreased from 0.7% in 2012 to 0.6% in 2013 and further to 0.5% in 2014 due to the overall growth of our business.

Inleusin (英路因)

Inleusin is a recombinant human interleukin 2 (IL-2) product that is structurally and functionally similar to naturally produced IL-2, an immune regulator. IL-2 is a natural part of the human immune response to microbial infection. IL-2 promotes the proliferation and maturation of, among others, T-cells and natural killer cells, both of which are capable of destroying cancer cells directly. Inleusin is indicated for treatment of renal cell carcinoma, melanoma, thoracic fluid build-up caused by cancer, and tuberculosis.

We obtained CFDA approval to manufacture and market Inleusin in the PRC market in June 1995 and launched the product in March 1996. It was one of the first interleukin products introduced in the PRC market. Inleusin is manufactured at our bacterial cell-based production plant in Shenyang. Our Inleusin products are available in four dosages: 0.1 MIU, 0.2 MIU, 0.5 MIU and 1 MIU. As of the Latest Practicable Date, Inleusin was included in the National Medical Insurance Catalogue as a Category B drug.

We hold a PRC patent related to Inleusin, which is valid until 2026. The patent covers an interleukin analog and the method for manufacturing such analog through genetic engineering.

We primarily rely on third-party promoters to market and sell Inleusin in China. Our sales of Inleusin in China grew moderately during the Track Record Period, but as a percentage of our total sales of goods decreased from 0.4% in 2012 and 2013 to 0.3% in 2014 due to the overall growth of our business.

Other in-licensed products

In addition to the products described above, we currently also sell metadoxine marketed under the trade name Gan Xin (甘忻), a drug used for the treatment of alcoholic liver disease. Through an in-licensing agreement, we acquired the manufacturing technology, trademark and exclusive distribution rights for Gan Xin from an Independent Third Party in May 2012. In each of 2012, 2013 and 2014, Gan Xin accounted for 0.1% of our total sales of goods.

In October 2014, we entered into an agreement with Zhejiang Wan Sheng Pharmaceutical Co. Ltd. (浙江萬晟藥業有限公司) to become the exclusive distributor of three anti-cancer drugs in the PRC. These drugs are docetaxel marketed under the trade name Si Qu Di (斯曲帝), anastrozole marketed under the trade name Rui Si Yi (瑞斯意) and azasetron marketed under the trade name Wan Wei (萬唯). We started selling these products in December 2014. These anti-cancer drugs have significantly expanded our product offerings in the oncology area. We believe that they will diversify our product portfolio in the oncology area.

RECENT ACQUISITIONS

Sciprogen

We recently acquired Sciprogen, a biopharmaceutical company based in China. Sciprogen manufactures and sells two principal products: SEPO and Sparin. SEPO is an injectable rhEPO product approved by the CFDA for the treatment of anemia associated with CKD and the treatment of CIA. SEPO ranked tenth in the PRC rhEPO market in terms of sales with 3.0% market share in 2013, according to IMS. Sparin is an injectable low-molecular-weight heparin calcium used as anticoagulant to treat thrombosis. For more information on SEPO and Sparin, please refer to the paragraph "—Our Products—Our Other Products" in this section. Sciprogen is currently developing PEG-EPO, a second-generation rhEPO product candidate with a longer circulating half-life than first-generation rhEPO products.

SEPO and Sparin are manufactured in our Shenzhen facilities, which were certified under the latest Chinese GMP in 2013. Sciprogen primarily markets SEPO and Sparin through third-party promoters. We have recently established a new business department in charge of expanding and managing our third-party promoter network to market and promote SEPO, Sparin and certain other products. For more information on third-party promoters, please refer to the paragraph "—Sales, Marketing and Distribution—Third-party Promoters" in this section.

Sirton

We recently acquired Sirton, a contract-based pharmaceutical manufacturer based in Italy. Sirton manufactures aseptic and terminally sterilized injectable products and biological injectable products in various formats including pre-filled syringes, lyophilized vials, liquid vials and ampoules. Sirton also helps customers with the full development process for the registration of new or generic drugs, including process development, analytical development, clinical batches and packaging, stability studies, scale up, batch validation, and analytical validation.

Sirton currently has four major customers, including Mylan, UCB, Sanofi and Crinos. Sirton's main products include omeparazole, calcium folinate, teicoplanin, urokinase, heparin, ibandronate and biperidene. Sirton's manufacturing facilities are in compliance with the European GMP requirements, with a GMP certificate issued in 2014 by the Italian Health Agency that covers injectable products.

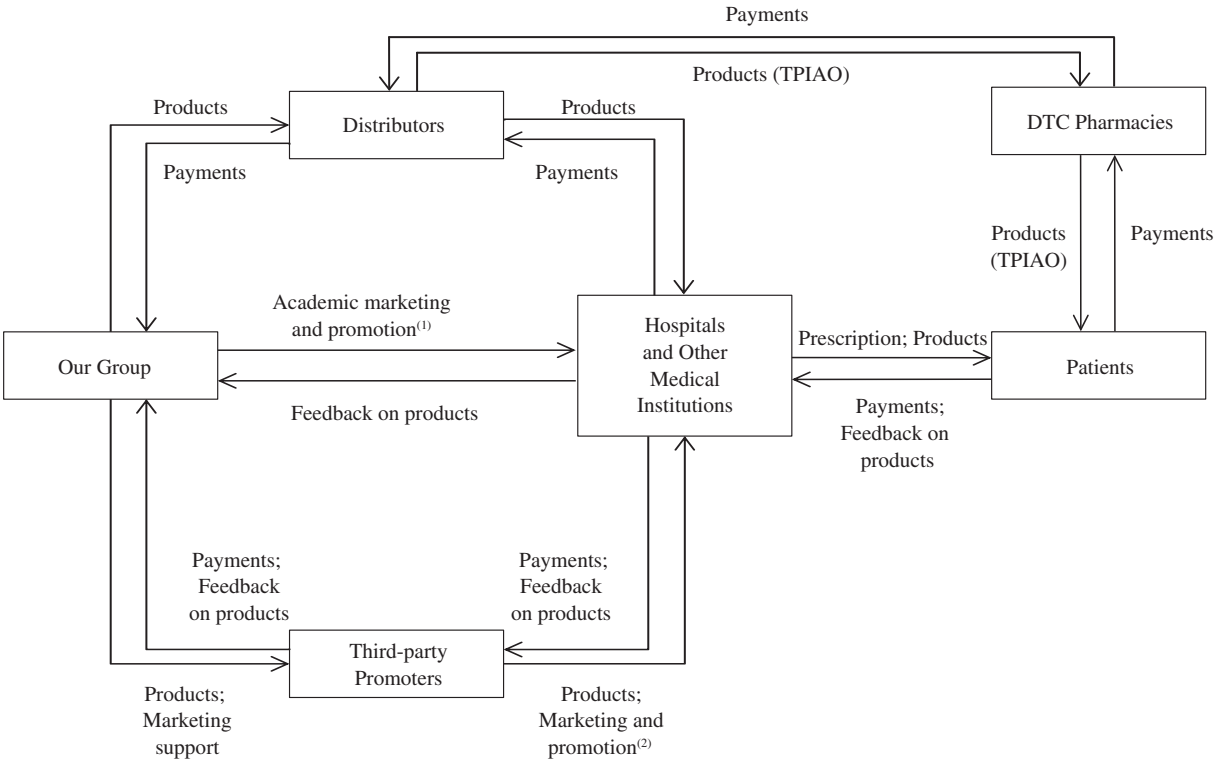
SALES, MARKETING AND DISTRIBUTION

Our sales and marketing efforts are characterized by a strong emphasis on academic promotion, which we believe plays a pivotal role in the marketing and sales of biopharmaceuticals. We aim to promote and strengthen our academic recognition and brand awareness among medical experts.

We market and promote EPIAO, TPIAO and IV Iron Sucrose mainly through our in-house sales and marketing team to generate demand from hospitals and other medical institutions. We sell these products to distributors, who then distribute these products to hospitals and medical institutions in China that order our products. Distributors also distribute TPIAO to direct-to-customer ("**DTC**") pharmacies, which in turn sell TPIAO to patients with physician prescriptions. In 2012, 2013 and 2014, sales to distributors accounted for 92.2%, 94.5% and 96.8%, respectively, of our total sales of goods. In each of these periods, sales to distributors accounted for over 95% of the our total gross profit (without deducting business tax and government surcharges).

We primarily rely on third-party promoters to market and distribute our products other than EPIAO, TPIAO and IV Iron Sucrose in China. During the Track Record Period, sales to third-party promoters in China accounted for less than 2% of total sales of goods, and less than 1% of our total gross profit (without deducting business tax and government surcharges).

In addition, EPIAO, TPIAO and some of our other products are exported to a number of countries through international third-party promoters. The following diagram illustrates our relationships with distributors, third-party promoters, hospitals, DTC pharmacies and patients:



Notes:

(1) Products marketed through our in-house sales force mainly include EPIAO, TPIAO and IV Iron Sucrose.

(2) Products marketed through third-party promoters mainly include SEPO, Sparin, Intefen, Inleusin, Gan Xin, Si Qu Di, Rui Si Yi and Wan Wei.

Both distributors and third-party promoters are our direct customers. All of our distributors and third-party promoters are Independent Third Parties. They are not authorized by us to use our trade name or any other material which may lead others to believe that they are acting on our behalf. Due to the difference in product offerings, there is no risk of cannibalization between our distributors and third-party promoters.

Our extensive sales and distribution network in China is supported by 706 sales and marketing employees, 113 distributors and 421 third-party promoters as of December 31, 2014. In 2014, our sales team covered 1,219 or 64.2% of all Grade III hospitals as of November 30, 2014, 1,718 or 25.2% of all Grade II hospitals as of November 30, 2014 and 521 other hospitals and medical institutions, as well as 58 DTC pharmacies, reaching 30 provinces, autonomous regions and municipalities across China.

Our In-house Sales Force

Led by a centralized sales management department, our in-house sales force is organized by geographical areas to cover twelve broad regions in China. In each of these regions, we have sales representatives dedicated to the marketing of EPIAO, TPIAO and our other products. We have 22 offices across China, including major branches in Shenyang, Beijing, Shanghai and Guangzhou. As of December 31, 2014, our sales and marketing team included 724 employees, of whom 420 were dedicated sales representatives. We have particularly deep penetration in top-tier markets. The following map shows the coverage of our in-house sales force by geographic regions:

Our sales representatives are primarily responsible for establishing and maintaining relationships with hospitals in their covered regions. Through academic marketing activities and other promotional efforts, they promote our products among physicians and collect feedback on our products. Our sales team also coordinates with third-party promoters and distributors in the promotion and distribution of our products.

We have an experienced and stable in-house sales team. As of December 31, 2014, our sales team had on average more than eight years of experience in pharmaceutical sales, and approximately 50% of our executives and regional managers in sales (excluding those of Sciprogen, which we acquired recently) had worked in our Company for over ten years. The turnover rate of our sales staff has been maintained at relatively low levels.

We believe that a sales and marketing team with a relatively high level of technical knowledge and expertise is important to implement our academic marketing approach and to maintain our reputation as a leading biotechnology company. As of December 31, 2014, approximately 30% of our in-house sales team held bachelor's degree or above in biology, medicine or pharmacy.

We regularly provide in-house and external training to enhance the industry knowledge and marketing skills of our sales staff. We put particular emphasis on training our sales representatives and junior managers. Our sales representatives are categorized into different levels based on their experience and capabilities to receive tailored mandatory and elective training. We target to provide each sales representative at least one in-person training session and two online training sessions every year.

We motivate our sales staff with financial and other incentives. Compensation of our sales staff is tied to various key performance indicators including, among others, completion of sales targets, period-to-period growth, sales contribution relative to other sales teams, as well as sales productivity, which compares sales achieved with resources used. In recent years, we have started to implement an evaluation system that rewards optimal sales behavior rather than overemphasizing sales results. To retain high-quality and experienced sales staff, we provide comprehensive training, guidance in career development and ample opportunities for internal promotion. The abovementioned key performance indicators, particularly those related to sales productivity, are also used to determine internal promotion.

We have maintained a sales force efficiency ("**SFE**") system since 2002. Through our SFE system, we continually update information on distributors, third-party promoters, hospitals and other players on the value chain of pharmaceutical sales. The SFE system provides our sales team with comprehensive and automated analysis of sales data, and facilitates internal sharing of business intelligence. With the help of the SFE system, our sales team can more efficiently allocate resources and improve our sales performance.

Our sales productivity increased steadily during the Track Record Period. Selling and distribution expenses as a percentage of revenue decreased from 46.4% in 2012 to 38.9% in 2013 and further to 38.2% in 2014. Monthly sales volume per sales representative increased from approximately RMB159,000 in 2012 to approximately RMB176,000 in 2013 and further to approximately RMB182,000 in 2014.

Academic Marketing

We adopt a research-oriented marketing approach, particularly with respect to our core products. Our sales and marketing efforts are characterized by a strong emphasis on academic promotion.

We regularly organize and participate in various academic conferences, seminars and symposia, which include large-scale national and provincial conferences, as well as smaller events tailored for specific cities and hospital departments. We set up booths at large-scale academic conferences to promote our products. During these conferences, we also sponsor satellite events that focus on the therapeutic areas related to our products. We invite leading experts in these therapeutic areas to speak on the latest developments and share their experience. We also sponsor clinical studies and

pharmacovigilance studies related to our products. Through these academic marketing efforts, we aim to educate doctors and other medical professionals on our products and solidify our academic recognition and brand awareness among medical experts. We maintain long-term cooperative relationships with national academic associations, such as the Chinese Society of Nephrology (中華腎臟病學會) and the Chinese Society of Clinical Oncology (中國臨床腫瘤學會). We believe that our relationships with medical experts help to raise our profile, enhance awareness of our products in the medical community and among patients, and provide us with valuable clinical data to improve our products, all of which help us more effectively market and sell our products.

We conduct academic marketing activities to establish and maintain relationships with key opinion leaders ("**KOLs**"), as well as department heads and senior physicians in our target hospitals, particularly Grade III hospitals. We provide these experts with detailed information on our products and help them make independent comparisons among competing products in the market.

We have maintained regular contact with over 250 KOLs, who are generally medical experts with substantial national or regional influence. KOLs are selected by our marketing department and approved by our two marketing directors. We maintain lists of national and regional KOLs, which are updated annually. We select KOLs primarily based on the therapeutic areas they specialize in, their professional qualifications and their reputation in the medical community. We also consider whether they have participated in clinical studies or published academic articles related to our products. Prescription of our products is not a criterion for our selection of KOLs. We mainly focus on establishing and maintaining relationships with KOLs who specialize in the therapeutic areas related to our core products, EPIAO and TPIAO, such as anemia and thrombocytopenia. Many KOLs hold leadership positions in national medical associations. We provide KOLs with assistance in organizing high profile domestic and international academic conferences and seminars and conducting clinical studies. We believe that KOLs' independent reviews and studies of our products, which may be published in academic journals or shared in conferences and seminars, help increase the recognition of our products among the wider medical community. We do not remunerate KOLs. However, we may reimburse KOLs for expenses incurred by their attendance of academic conferences, such as related travel expenses. We send employees from our marketing department and/or medical department to conferences attended by KOLs. Our employees communicate with KOLs before and during conferences, and take photos of KOLs at the conferences as supporting documents for expense reimbursement. Both our marketing department and our finance department review invoices submitted by KOLs before reimbursements are approved for valid conference-related expenses. We have set limits on travel classes that are eligible for reimbursement for different levels of KOLs. We have also set limits on the amounts of accommodations eligible for reimbursement. Except when the academic association that organizes a conference has its own arrangements for accommodations, our upper limits for reimbursement ranged from RMB400 to RMB900 per person per day for lodging expenses and from RMB400 to RMB800 per person per day for dining expenses depending on the level and/or location of the conference. We do not pay KOLs directly. Instead, reimbursements are remitted to the academic associations that organize the conferences and coordinate with KOLs regarding travel arrangements. In each of 2012, 2013 and 2014, reimbursements to KOLs represented less than 1% of our total selling and distribution expenses.

With respect to heads of nephrology, oncology and our other target departments, we generally provide them with assistance in organizing regional academic conferences and conducting regional clinical studies. With respect to senior physicians in our target therapeutic areas, we generally provide them with tailored assistance in clinical studies and conference attendance based on their specialization and professional interests. We sponsor the education of physicians by encouraging them to attend academic conferences pertaining to their specialization to learn about the latest medical advances and develop their professional skills. For conferences sponsored by us, we may reimburse these physicians for registration fees and travelling expenses through the academic associations that organize these conferences. We offer research grants for post-launch clinical studies related to our products and encourage physicians to apply for these grants. When a physician's grant application is approved, funding is directly remitted to the hospital where the physician will conduct the clinical trials. The amount of research funding is calculated based on the proposed number of patients who will participate in the clinical trials, which must be subsequently substantiated with case report forms submitted by the hospital. We have also established an online platform for medical experts to keep themselves abreast of the latest developments in the therapeutic areas we focus on, and to communicate with each other and to interact with patients.

Distribution

Our extensive network of distributors distributes EPIAO, TPIAO and IV Iron Sucrose. Distributors are our direct customers, and are responsible for delivering our products to hospitals and other medical institutions that purchase these products. We believe that our existing distribution model is consistent with customary industry practice and serves to ensure efficient coverage of our sales network while controlling our cost of distribution and account receivables.

As of December 31, 2014, our distribution network comprised 113 distributors and reached 30 provinces, autonomous regions and municipalities in China. In 2014, our sales team covered 1,219 or 64.2% of all Grade III hospitals as of November 30, 2014, 1,718 or 25.2% of all Grade II hospitals as of November 30, 2014 and 521 other hospitals and medical institutions in China.

The length of relationships between our distributors and us ranged from one to over ten years. The following table sets forth the total number of our distributors, the number of new distributors and the number of distributors terminated during the period indicated:

	For the year ended December 31,		
	2012	2013	2014
Distributors at the beginning of period	102	109	110
Addition of new distributors	12	8	8
Termination of existing distributors	5	7	5
Distributors at the end of period	109	110	113[(1)]

Note:

(1) Sciprogen relied on third-party promoters to distribute SEPO and Sparin, and did not use any distributors or sub-distributors.

We select our distributors based on their qualifications, reputation, market coverage and sales experience. To distribute our products, a distributor must maintain its business license, GSP certificate, pharmaceutical trade license and other relevant licenses and permits. It must maintain extensive hospital coverage in the target province. A distributor must meet the latest GSP standards for cold-chain storage and transportation, and must be capable of delivering our products to covered hospitals in a safe and timely manner. Any distributor of our rhEPO products must also maintain qualifications in distributing protein and peptide hormone products.

We actively monitor the inventory levels of our distributors to increase the efficiency of our distribution network. We have established direct connections with inventory databases of our major distributors, which allow us to keep track of their sales and inventory information in real time. We generally aim to keep a distributor's inventory at a healthy level to support ten to 30 days of sales.

We conduct credit assessments of each of our distributors before we enter into a distribution agreement. We usually do not have exclusive distribution arrangements with our distributors. They are generally allowed to distribute products that compete with ours. There is no risk of cannibalization among our distributors as, for any of our products, each hospital is covered by only one distributor. For every calendar year, we enter into a distribution agreement with each distributor which provides general terms for our distribution arrangement, such as the designated geographical area, place and method of delivery and receivable collection. Product price under each contract reflects the prevailing pricing arrangement resulted from the local competitive tendering process. At the same time, our standard distribution contract provides that, in case of pricing changes resulted from the tendering process or government price controls during the term of the contract, we and the distributor shall renegotiate prices and enter into a supplemental agreement based on the principle of mutual benefits. We are generally required to ship our products and issue invoices within three business days upon receipt of a distributor's order. We generally grant a distributor credit terms between 60 and 90 days. Typically, we bear the costs oftransporting our products to the designated city of delivery, and the distributor bears the costs of unloading and further transportation of the products. Under our standard distribution agreement, a distributor cannot sell our products outside the designated geographical area without first obtaining our written consent. Our products are labelled with tracking bar codes which allow us to monitor their movement during the distribution process and to detect potential cannibalization among distributors. Under our standard distribution agreement, a distributor may not return products to us other than for product quality issues.

From time to time, we terminate our relationships with certain distributors because they (1) were unable to meet our distribution needs in the relevant region; (2) breached their distribution agreement with us; (3) failed to maintain its GSP certificate or other licenses or permits required for distributing our products; and/or (4) encountered financial difficulty. We request terminated distributors to settle any outstanding balances with us as soon as possible. At the same time, we add new distributors primarily as a result of the continued expansion and optimization of our sales network.

A significant amount of our sales is attributable to a limited number of distributors. In 2012, 2013 and 2014, our five largest distributors included the same group of distributors, which accounted for 34.5%, 33.1% and 34.9%, respectively, of our total sales, and our largest distributor accounted for

10.3%, 9.5% and 11.0%, respectively, of our total sales. Each of these distributors has over ten years of business relationship with us. During the Track Record Period, none of our Directors or their associates or our Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of the five largest distributors.

Many of our distributors are members of large pharmaceutical distributor groups in China. In particular, subsidiaries of Sinopharm Group Co. Ltd. (collectively with its subsidiaries, the "**Sinopharm Group**") made up two of our top five distributors and four of our top ten distributors for each of 2012, 2013 and 2014, and sales derived from the four Sinopharm Group subsidiaries among our top ten distributors accounted for 24.6%, 22.0% and 21.0%, respectively, of our total sales for those periods. As Sinopharm Group is collectively the largest pharmaceutical distributor in China, we believe our level of concentration risk is not specific to our business. The individual members of the Sinopharm Group that act as our distributors are distinct legal entities holding separate GSP certificates. We evaluate members of the Sinopharm Group on an individual basis, negotiate our contractual arrangements with them individually and ultimately enter into separate contractual agreements with them. Consequently, our engagement of, or termination or non-renewal of contractual relationships with, an individual member of the Sinopharm Group is independent of our engagement of, or termination or non-renewal of contractual relationships with, any other member of the Sinopharm Group.

In addition to two subsidiaries of the Sinopharm Group, our five largest distributors during the Track Record Period also included Shanghai Siful Medicine Co., Ltd. (上海思富醫藥有限公司), Zhejiang Int'l Group Co., Ltd. (浙江英特集團股份有限公司) and Nanjing Chinese and Western Pharmaceutical Co., Ltd. (南京藥業股份有限公司), which are all large-scale distributors of pharmaceutical products and subsidiaries of public companies in China.

A distributor may utilize sub-distributors with proper GSP certification to extend its hospital coverage. As of December 31, 2012, 2013 and 2014, 179, 179 and 177 sub-distributors, respectively, were utilized by our distributors. All of these sub-distributors are Independent Third Parties.

We discuss with our distributors on the selection and use of sub-distributors to cover certain hospitals. Sub-distributors are typically used when they are designated by the hospitals we intend to cover and when a distributor is unable to directly cover particular hospitals within its designated region. In addition, some distributors appoint their subsidiaries as sub-distributors of our products. Sub-distributors purchase our products from our distributors. We do not maintain direct business relationships with these sub-distributors. We do not monitor sub-distributors' inventory levels in real time, but sub-distributors generally agree to periodically report to us sales and inventory information at the beginning of each month.

Third-party Promoters

Certain of our products, including Intefen, Inleusin, Gan Xin and certain other in-licensed products, are primarily marketed and promoted by third-party promoters. Before its acquisition by us, Sciprogen primarily marketed its two principal products, SEPO and Sparin, through third-party

promoters. We plan to continue to rely on third-party promoters to market SEPO and Sparin. Marketing through third-party promoters helps us to efficiently allocate our internal resources to our core products. Furthermore, we believe that third-party promoters will help increase our product penetration in a broad range of markets, particularly lower-tier cities and small hospitals.

Our third-party promoters perform both marketing and distribution functions. Like our distributors, they are our direct customers. They purchase our products and distribute them to hospitals according to orders submitted by hospitals. Also like our distributors, these promoters are prohibited from selling our products outside the designated geographical areas. Unlike our distributors, our third-party promoters also promote our products to medical professionals by visiting hospitals, disseminating information of our products and organizing academic conferences. Also unlike our distributors, many of our third-party promoters are prohibited from promoting and distributing other products that directly compete with ours. For each of our products, each hospital is covered by no more than one third-party promoter.

The lengths of relationship between our third-party promoters and us ranged from one to over ten years. The following table sets forth the total number of our third-party promoters, the number of new third-party promoters and the number of third-party promoters terminated during the period indicated:

	For the year ended December 31,		
	2012	2013	2014
Third-party promoters at the beginning of period	159	173	185
Addition of new third-party promoters	24	18	244(1)
Termination of existing third-party promoters	10	6	8
Third-party promoters at the end of period.....	173	185	421(1)

Note:

(1) Of these third-party promoters, 199 were used by Sciprogen, which we acquired in December 2014.

We select our third-party promoters based on their qualifications, reputation, marketing experience, management capabilities and hospital coverage in our target therapeutic areas. Before entering into business relationship with a third-party promoter, we make inquiries into the promoter's business qualifications and reputation, distribution network, financial conditions, past experience with similar products, sales force and other relevant factors.

We periodically evaluate the performance of our third-party promoters. We review quantitative metrics including the number of newly developed hospitals, sales target completion rate, period-to-period sales growth and sales productivity in terms of sales to resources ratio. We also review qualitative factors including, among others, whether a promoter strictly abide by our pricing policies, whether it distributes our products outside its designated region, whether it delivers our products to hospitals in a timely manner and provides satisfactory pre-sale and post-sale services, whether it diligently provides us with sales, inventory and market feedback and attends our trainings, and whether it actively cooperates with our promotional campaigns in its designated region.

We generally enter into one-year agreements with our third-party promoters. For each third-party promoter, we set targets for new hospital development and product sales. A third-party promoter is typically required to submit an initial order or make an initial prepayment for our products shortly after the effective date of its annual agreement with us. We generally evaluate a third-party promoter's sales performance on a quarterly basis. If the third-party promoter fails to meet the specified sales target for two consecutive quarters, under our standard agreement, we have the right to terminate the agreement or increase our product price in the subsequent quarter. In addition, under our standard agreement, we have the right to terminate the agreement if the third-party promoter fails to provide valid evidence for generating sales of our products to hospitals or fails to make a specified minimum purchase from us.

We generally require our third-party promoters to make full payments for their orders before we ship our products. Product prices specified in a third-party promoter agreement are typically inclusive of costs of transporting our products to the designated city of delivery. Product promotion and marketing expenses are borne by the third-party promoters. The selling prices of our products to third-party promoters are sufficiently lower than their retail prices so as to allow our third-party promoters to cover their marketing expenses and maintain reasonable profits. We require each third-party promoter to provide us with a marketing plan each year. To support a third-party promoter's academic marketing efforts, we provide it with promotional materials, academic articles, product samples and product manuals. If requested by the third-party promoter, we also provide trainings to sales representatives or other personnel of the third-party promoter, and participate in academic activities organized or attended by the third-party promoter.

We provide various incentives to motivate sales performance of third-party promoters. For examples, for a top promoter, we may provide additional academic marketing support, expand its designated sales region, increase the scope of our business relationship and provide additional product-related trainings. On the other hand, if a third-party promoter fails to achieve its sales target, materially breaches its agreement with us or violates relevant laws or regulations, we may penalize the promoter by reducing its designated sales region, adjusting our product prices, terminating our business relationship, and/or seeking damages and other legal remedies.

DTC Pharmacies

To establish long-term relationships with chronic-disease patients and to diversify our sales channels, we started to utilize DTC pharmacies to sell our TPIAO products in 2013. DTC pharmacies are typically independent of hospitals and sell pharmaceutical products to patients with physician prescriptions. DTC pharmacies tend to sell drugs with relatively high prices and requiring long-term or repeated use.

Like hospitals, DTC pharmacies order TPIAO from our distributors. Patients with physician prescriptions may then purchase TPIAO from hospitals or DTC pharmacies. The retail prices of TPIAO are generally identical in hospitals and DTC pharmacies, which are determined by the provincial tendering processes. When patients purchase TPIAO at DTC pharmacies, the pharmacies will deliver the product to patients with temperature-controlled transportation systems. We select DTC pharmacies based on their GSP certificates, quality control, cold-chain transportation system and timeliness of delivery. Furthermore, we set certain requirements on the staff, equipment, workplace

environment, purchase procedure and service procedure for DTC pharmacies that sell our products. Every year we assess each DTC pharmacy on its consistency and effectiveness of quality control. In 2013 and 2014, TPIAO was sold to 33 and 58 DTC pharmacies, respectively, all of which are Independent Third Parties. We plan to expand our DTC sales network to cover most major cities in China. We also plan to launch an online patient community to help patients learn about our product and other medical information.

Product Pricing

Prices of pharmaceutical products in China are determined through competitive tendering process at the provincial level and limited by government price controls.

In provinces where we market our products, we are required to participate in a government-sponsored competitive bidding process every year or every few years, during which we and our competitors submit pricing and other product information to local pricing bureaus. The local pricing bureau will, based on the bid price, clinical effectiveness and quality of each product and the reputation of the bidder, select a limited number of products in each product category that are permitted for sale in the relevant province or local district. If we win bids in the centralized tendering process, the bid price of the selected product will become the purchase price of that product to be paid by all state-owned hospitals in the applicable region.

The administration of price control of pharmaceutical products is vested in the national and provincial price administration authorities. Depending on the categories of pharmaceutical products in question, the prices of pharmaceutical products listed in the National Medical Insurance Catalogue, drugs with patents and other drugs whose production or trading may constitute monopolies are subject to the control of the NDRC and the relevant provincial or local price administration authorities. In respect of pharmaceutical products manufactured in the PRC, the national price administration authority from time to time publishes price control lists setting out the names of pharmaceutical products and their respective price ceilings. The provincial price administration authorities also publish price control lists in respect of the pharmaceutical products which are manufactured within the respective provinces. The main purpose of the price control policy is to set an upper limit to the prices of pharmaceutical products to prevent excessive increases in the prices of such products. Pursuant to the Measures on Government Pricing of Pharmaceutical Products (《藥品政府定價辦法》), the price ceiling is determined mainly by reference to, among others, the quality of the product, whether it is a newly developed product and the GMP compliance status.

The price ceilings of pharmaceutical products included in the price control lists are subject to adjustment upon approval by the price administration authorities from time to time. Pharmaceutical enterprises in the PRC are required to submit cost related information such as raw material prices regularly to the relevant price administration authorities, so that the authorities could take into account the market conditions when setting the price ceilings. The price administration authorities may approve adjustments to the price ceilings upon request if material changes in production costs or significant changes in demand for these pharmaceutical products are recognized. There is a reasonable gap between the price ceilings set by relevant government authorities and our average selling prices at which we sell our products to distributors or third-party promoters. In September 2012, the NDRC released an updated list of price ceilings for certain drugs sold in China, which resulted in reductions

in the price ceilings for EPIAO and TPIAO. These recent price ceiling reductions did not have a significant adverse effect on our average selling prices. In particular, the retail prices of EPIAO in most provinces as determined through the local tendering processes were already below the updated price ceilings. The retail prices of TPIAO were adjusted downward in most provinces when the price ceilings were updated in 2012. However, on average, the retail prices of TPIAO only decreased by approximately 5% due to the price ceiling update. Furthermore, although retail prices of EPIAO and TPIAO decreased slightly during the Track Record Period, the effect of these price reductions was more than offset by the decreases in our applicable VAT rate from 2012 to 2014. Overall, the average selling prices of EPIAO and TPIAO each increased by 5-6% from 2012 to 2014.

Recently, PRC government authorities are starting to implement policies that aim to further increase the affordability of pharmaceutical products. In an opinion issued in February 2015, the General Office of the State Council encouraged public hospitals to consolidate their demands and to play a more active role in the procurement of pharmaceutical products. The opinion summarizes the general principle of pharmaceutical procurement reform, which is, to ensure the supply, quality and affordability of pharmaceutical products through consolidated procurement by public hospitals. However, it does not contain detailed implementation rules, which are yet to be developed by the government. According to the opinion, provincial tendering processes will continue to be used for the pricing of essential drugs and generic drugs with significant demands, and transparent multi-party price negotiation will be used for patented drugs and exclusive drugs. Hospitals are encouraged to directly settle the purchase prices of pharmaceutical products with manufacturers. This policy is intended to reduce the retail prices of pharmaceutical products by cutting the intermediaries between hospitals and manufacturers. Consolidated procurement and direct settlement between hospitals and manufacturers may increase the bargaining power of hospitals and increase the pricing pressure on our products. However, the prices of our products are not expected to be significantly affected by these policies. When prices are driven by market competition, innovative and/or high-quality products with high physician and patient demand, such as TPIAO and EPIAO, may enjoy less pricing pressures than most pharmaceutical products. Furthermore, we do not expect that our business model will be significantly affected by the policy of encouraging direct settlement between hospitals and manufacturers. The policy is not expected to significantly increase our burden in terms of customer relationships as our sales team of over 700 employees has already maintained regular contact with hospitals to promote our products. Directly settling prices with hospitals would not significantly increase the current workload of our sales team. This policy is also not expected to significantly increase our burden in terms of product distribution, as our products will continue to be distributed to hospitals through distributors and third-party promoters with proper GSP certificates. Finally, hospitals are encouraged, but not required, to directly settle prices with manufacturers. In practice, hospitals may prefer not to directly settle prices with manufacturers as it is more efficient for them to settle with a limited numbers of distributors instead of numerous manufacturers.

Moreover, some new methods are used in recent provincial tendering, which may create further downward pressures on the prices of pharmaceutical products. For example, in their most recent tendering processes, several provinces required that bids for a product not to exceed the lowest winning bid or the average of the five or ten lowest winning bids for the same product in other provinces. Such requirement was rarely imposed in the past, and it tends to reduce bids by all manufacturers and the winning bids as a result. Some provinces recently started to employ a combined tendering process for essential drugs (drugs included in the National Essential Drug List) and

non-essential drugs. In the past, manufacturers of essential drugs may sell them as non-essential drugs at higher prices but in fewer and smaller hospitals than as essential drugs. The new combined tendering process eliminates this option. However, such process does not have a direct impact on the prices of drugs that are not included in the National Essential Drug List. As of the Latest Practicable Date, among our existing products, only Sparin was included in the National Essential Drug List. Therefore, we do not expect to be significantly affected by this combined tendering process. Furthermore, a small number of provinces are starting to allow hospitals to renegotiate prices with distributors or manufacturers after the retail prices are determined by the tendering processes, whereas in the past all hospitals' procurement prices were determined by the tendering results. Such renegotiation may reduce manufacturers' selling prices.

We have established a market entry department. The regulatory affairs division under the market entry department closely monitors new policies affecting the pricing of pharmaceutical products in China, which helps us formulate strategies to stay competitive and profitable. The tendering affairs division under the market entry department is in charge of formulating and executing pricing strategies in response to new tendering policies in different regions and provinces across China. For example, our tendering affairs division studies the minimum bid requirements, if any, and pricing trends for each dosage and format of our products on a province-by-province basis. We then determine bidding for which dosages and formats in each province will best help us to maintain our overall pricing and profit levels across China. In addition, according to the tendering policies in some provinces, products meeting certain specified quality or other standards may be subject to a separate bidding process and do not need to compete with products not meeting these standards. Our tendering affairs division monitors and takes advantage of these policies to reduce the number of direct competitors our products face in the relevant provinces. A centralized tendering affairs division allows us to create and execute a master plan to cope with competition in different provinces, with the goal of maintaining the price levels of our products and maximizing our overall sales in China. Without our centralized tendering affairs division, our pricing strategies in various provinces may be less coordinated and may be focused more on regional rather than national sales results.

In May 2015, seven PRC state agencies including the NDRC and the CFDA issued a notice regarding pharmaceutical price reform, pursuant to which government price controls on pharmaceutical products (other than narcotic drugs and certain psychiatric drugs) will be lifted on June 1, 2015. Afterwards, prices of most pharmaceutical products, including all of our products, will be mainly determined by market competition through the provincial tendering processes, without price ceilings set by the NDRC. Instead of direct price controls, the government will regulate prices mainly by establishing a consolidated procurement mechanism, revising medical insurance reimbursement standards and strengthening regulation of medical and pricing practices. The notice also reiterates the policy of establishing a transparent, multi-party negotiation mechanisms for the pricing of patented and exclusive drugs. After price ceilings are lifted, we and other manufacturers of innovative and/or high-quality pharmaceutical products may be able to command higher prices than would have been allowed under price controls. We expect that this policy change will provide more incentives for manufacturers to develop innovative products, and may encourage more multinational pharmaceutical companies to enter the PRC market. As a result, our products may face greater competition from innovative products. However, we believe that we will not face significantly greater competition from multinational companies because we can generally price our products at lower levels than most multinational companies for similar versions of drugs due to our cost advantage.

International Sales, Marketing and Distribution

We are one of the earliest China-based biotechnology companies to enter the international market. We initiated our export business in 2004 through an export company in China. In subsequent years, we have worked with local agents in countries in the Middle East, South America and Southeast Asia to expand our international sales. We currently export EPIAO, TPIAO, IV Iron Sucrose, Intefen, SEPO to countries such as Brazil, Thailand and Egypt, where the relevant products have been registered and therefore are approved to be sold in compliance with local laws and regulations. The following table sets for the number of countries in which our products were registered and approved for sale or applications for registration were in progress as of the Latest Practicable Date:

Product	Number of countries in which product was registered and approved for sale	Number of countries in which application for registration was in progress
EPIAO	13	18
TPIAO	3	8
IV Iron Sucrose	3	5
SEPO	4	3
Intefen	7	—

The following table sets forth the countries in which our core products, EPIAO and TPIAO, were registered and approved for sale during the Track Record Period and/or as of the Latest Practicable Date, as well as countries in which applications for registration were in progress as of the Latest Practicable Date:

Product	Countries in which product was registered and approved for sale during the Track Record Period	Additional countries in which product was registered and approved for sale as of the Latest Practicable Date	Countries in which application for or renewal of registration was in progress as of the Latest Practicable Date
EPIAO	Brazil, Colombia, Dominican Republic[(1)], Egypt, El Salvador, Guatemala, Laos, Mongolia[(2)], Myanmar, Pakistan, Paraguay, Philippines[(3)], Sri Lanka, Thailand and Trinidad and Tobago	Cambodia	Botswana, Chile, Dominican Republic, Kazakhstan, Kyrgyzstan, Morocco, Namibia, Peru, Philippines, Russia, Syria, Turkey, Uganda, Ukraine, Uzbekistan, Venezuela, Yemen and Zimbabwe
TPIAO	Costa Rica, Dominican Republic[(4)], Paraguay and Philippines	—	Dominican Republic, India, Kazakhstan, Mexico, Pakistan, Paraguay, Thailand and Ukraine

Notes:

(1) Registration expired as of June 27, 2014. Renewal materials were under review and pending approval by relevant authorities as of the Latest Practicable Date. We estimate that the approval process will take one to two years.

(2) Registration expired as of June 22, 2014 and has not been renewed due to insignificant and unstable sales in Mongolia.

(3) Registration expired as of November 9, 2012 and we started the re-registration process in June 2014. Re-registration materials were under review and pending approval by relevant authorities as of the Latest Practicable Date. We estimate that the approval process will take one to three years.

(4) Registration expired as of November 17, 2014. Renewal materials were under review and pending approval by relevant authorities as of the Latest Practicable Date. We estimate that the approval process will take one to two years.

As of December 31, 2014, our international sales team included 17 professionals, divided into a sales and marketing group and a registration group. We plan to increase our international marketing capabilities while continuing to work with local agents to expand the markets where our products are approved for sale.

We also out-license technology and distribution rights to expand our international presence. For instance, Sciprogen, our recently acquired subsidiary, out-licensed its proprietary rhEPO technology to a company based in Singapore for the exclusive production and sale of SEPO in Indonesia and the Philippines. We plan to deepen and expand our reach in international markets through this and similar out-licensing arrangements.

RESEARCH AND DEVELOPMENT

We are a pioneer in the development of biopharmaceuticals in China. We have made significant investments identifying, developing and commercializing biotechnology and other pharmaceutical product candidates with significant market potential. We primarily focus on product candidates in two core therapeutic areas, nephrology and oncology. At the same time, we are expanding into other selected areas especially auto-immune diseases, where we can leverage our strengths in recombinant protein technology to develop innovative products.

We have a proven track record of successfully researching, developing and commercializing biopharmaceuticals. We have independently developed and launched EPIAO and TPIAO, two market-leading biopharmaceuticals in China. We plan to continue to diversify and expand our product pipeline through both in-house research and development and through collaboration with biotechnology and pharmaceutical companies, as well as academic institutions.

As of December 31, 2014, our research and development personnel consisted of 127 employees. Our research and development personnel includes six Ph.D.s and 34 holders of master's degrees, most of whom have experience working in the healthcare and biotechnology research fields, including experience working in research institutions and hospitals and in the CFDA drug approval process.

Our Research and Development Platforms

We have three research and development platforms, including a mammalian cell-based platform, a bacterial cell-based platform and a chemical platform.

- *Mammalian cell-based platform.* With this platform, we develop biopharmaceuticals expressed in mammalian cells. Both our core products, EPIAO and TPIAO, were developed with our mammalian cell-based platform. In addition, we use this platform to develop mAb therapeutics. Product candidates currently being developed with this platform include NuPIAO, PEG-EPO, leukotuximab, anti-TNF α mAb, tanibirumab and DIG-KT.

- *Bacterial cell-based platform.* With this platform, we develop biopharmaceuticals expressed in bacterial cells. Our early products, Intefen and Inleusin, were developed with our bacterial cell-based platform. Product candidates currently being developed with this platform include pegsiticase.

- *Chemical Platform.* With this platform, we develop chemical pharmaceutical products primarily in collaboration with third-party companies and research institutions. Product candidates currently being developed with this platform include HIF-PH inhibitor, cinacalcet hydrochloride, sevelamer carbonate, colestilan, voclosporin, PEG-Irinotecan, DJ5, Bcl-2/xL inhibitor, IAP inhibitor, eltrombopag, nadroparin calcium and fondaparinux sodium.

Research and Development Process

We employ a market-driven approach to our research and development efforts. Our experienced research and development team identifies innovative product candidates with significant market potentials, conducts preclinical development and clinical trials, and ultimately commercializes these products. Each of our product development projects must be reviewed by our project committee before its launch. Our project committee consists of researchers and executives from various internal departments, including research and development, manufacturing, regulatory affairs, clinical and business development departments. If a development project is approved, a project management team will be appointed to supervise the technical progress and the budget of the project.

Research, development and commercialization of new drugs in China include the following key milestones: discovery and pre-clinical studies; IND application to the CFDA; Phases I, II and III clinical trials; submission of new drug application to the CFDA for examination and approval; manufacturing approval by the CFDA; and GMP authorization by the CFDA.

Our discovery and preclinical studies involve the following general steps, which are similar for product candidates developed with each of our three platforms:

- *Discovery.* We identify and select molecules that have pharmaceutical efficacy and market potential.

- *Chemistry, manufacturing and controls (CMC) development.* We conduct studies including process development and controls, characterization, specification and stability studies. All these studies are carried out according to regulatory guidelines, aiming to demonstrate that the quality of the product and the manufacturing process meet a sufficiently high standard.

- *Pharmacodynamics, pharmacokinetics and toxicology studies.* We analyze the efficacy and safety of a product candidate on animal subjects to guide the clinical trials that follow.

We continue studies of process development and controls throughout the pre-clinical and clinical stages, up until a product is commercialized. Currently, we generally rely on our in-house research and development personnel to conduct pre-clinical studies on biopharmaceutical candidates, and outsource the pre-clinical studies on chemical pharmaceutical candidates to contract research organizations.

Our research and development projects are carried out by four units within our company:

- *Research institute.* Our research institute specializes in developing mammalian and bacterial cell-based biopharmaceutical products and is the main unit responsible for our in-house pre-clinical research and development.

- *External collaboration department.* Our external collaboration department focuses primarily on identifying companies with promising chemical pharmaceutical products and mAb therapeutics and is the main unit responsible for our collaborative pre-clinical research and development.

- *Clinical department.* Our clinical department is in charge of designing and managing our clinical trials.

- *Regulatory affairs department.* Our regulatory affairs department is in charge of registering our products with the CFDA as well as monitoring our research and development projects to ensure that they are compliant with relevant PRC regulations on the development, registration and commercialization of pharmaceuticals.

Our research and development units and our business development and manufacturing departments maintain close interactions with each other to advance our research and development projects in an efficient and coordinated manner. Our clinical department and manufacturing department participate early in our research and development process, which helps us optimize our pre-clinical design decisions and reduce the likelihood of inefficient development due to unanticipated obstacles in the clinical or manufacturing stages.

Our Product Candidates

We focus our in-house research and development efforts on both novel and validated therapeutics for the treatment of diseases in the areas of nephrology, oncology, auto-immune diseases and other selected therapeutic areas. In addition to our in-house product development, we also have collaborative relationships with several biotechnology and pharmaceutical companies, as well as academic institutions to broaden our access to proprietary products. We enter into collaborative projects at different research and development stages. Generally, we select our research and development partners based on their reputation in the relevant academic or industry areas. For clinical trials partners, we generally select companies or institutions that are well known in the relevant subject area and have the capability and sufficient resources to lead multi-center clinical trials. For pre-clinical research contractors, we generally select companies or institutions that have good laboratory practice (GLP) qualifications issued by the CFDA, relevant experience in pre-clinical research on similar pharmaceutical products, strong project management capabilities as well as adequate animal testing facilities.

The following table sets forth information about the product candidates that we are currently developing:

Product Candidate	National new drug class[1]	Intended Indication	Development Status	Target Launch Date	Expected Expenditure[2] (in millions of RMB)
Nephrology					
NuPIAO®	B1	Anemia associated with CKD	Phase I	2020	39.0
PEG-EPO	B1	Anemia associated with CKD	IND	2023	48.0
HIF-PH inhibitor	C1	Anemia	Pre-clinical	2024	39.8
Cinacalcet hydrochloride	C3	Hyperparathyroidism	IND	2017	4.5
Sevelamer carbonate	C3	Hyperphosphatemia	IND	2017	5.1
Colestilan	C3	Hyperphosphatemia; Hypercholesteremia	IND	2018	3.6
Voclosporin	C1	Lupus nephritis	IND	2021	15.0
DJ5	C1	Autosomal dominant polycystic kidney disease (ADPKD)	Pre-clinical	2024	63.4
Oncology					
PEG-Irinotecan	C1	Solid tumors	IND	2021	20.0
Bcl-2/xL inhibitor	C1	Solid tumors and leukemia	Pre-clinical	2021	22.0
IAP inhibitor	C1	Solid tumors	Phase I	2020	16.0
Leukotuximab	B1	Acute leukemia	Pre-clinical	2025	76.0
Tanibirumab	B1	Cancer	Pre-clinical	2027	82.0
DIG-KT	B1	Cancer	Pre-clinical	2028	78.0
Auto-immune Diseases and Other Areas					
TPIAO[3]	B1	Aplastic anemia	Pre-clinical	2019	12.0
Anti-TNF α mAb	B1	Rheumatoid arthritis	Phase I	2022	54.0
Pegsiticase	B1	Gout	IND	2023	43.2
Eltrombopag	C3	ITP	IND	2018	6.4
Nadroparin calcium	C6	Blood clotting; thrombosis	IND	2016	6.7
Fondaparinux sodium	C6	Prophylaxis of deep vein thrombosis	Pre-clinical	2019	5.0

Notes:

(1) As defined in the current edition of the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), Class I biological products for therapeutic uses (denoted B1 in this column) are biological products that have not been previously approved for sale in China or abroad; Class I chemical drugs (denoted C1 in this column) are chemical drugs that have not been launched in China or abroad; Class III chemical drugs (denoted C3 in this column) are chemical drugs that have been launched abroad but not in China; and Class VI chemical drugs (denoted C6 in this column) are chemical drugs or active pharmaceutical ingredients with established national standards.

(2) Expected expenditure from January 1, 2015 to product launch, assuming we complete all development milestones and receive all regulatory approvals according to our estimated timetables.

(3) New indication for a commercialized product.

NuPIAO and PEG-EPO

We are developing two second-generation rhEPO product candidates, NuPIAO and PEG-EPO, with a longer circulating half-life than first-generation rhEPO products.

By using molecular biology and recombinant DNA techniques, we synthesized a series of novel erythropoiesis-stimulating proteins and identified NuPIAO through an activity screening assay. Preliminary testing of NuPIAO has demonstrated an enhanced half-life comparable to the half-life of Amgen's Aranesp. The extended half-life and increased biologic activity as compared with first-generation rhEPO products would allow for less frequent administration, which is more convenient for both patients and caregivers. NuPIAO is also expected to be less likely to elicit immune responses than first-generation rhEPO products, resulting in improved safety. Currently, we own a PRC patent related to NuPIAO for a new EPO analog, which is valid until 2027. NuPIAO will be investigated to treat anemia associated with CKD. In the fourth quarter of 2012, we started Phase I clinical trials for NuPIAO.

As a result of our acquisition of Sciprogen, we added its second-generation rhEPO product candidate PEG-EPO to our product pipeline. Pre-clinical animal models have shown that PEG-EPO is comparable to Roche's Mircera in efficacy and pharmacokinetics. We own six patents related to PEG-EPO. In October 2014, we submitted an application to the CFDA for approval to conduct clinical trials for PEG-EPO.

HIF-PH inhibitor

HIF-PH inhibitor is an innovative drug for the treatment of anemia associated with CKD and other chronic diseases. Hypoxia-inducible factors ("**HIFs**") are transcription factors that respond to decreases in oxygen, or hypoxia, in the cellular environment. Stabilization of HIFs can up-regulate EPO expression, which in turn increases red blood cell count. When oxygen levels are normal, oxygen-sensitive HIF-α isoforms are rendered inactive via proline hydroxylation by HIF-specific prolyl hydroxylases (HIF-PHs). HIF-PH inhibitor inhibits the activity of prolyl hydroxylases and increases the stability of HIF in the kidney, which results in an increase in endogenous production of EPO, thereby relieving anemia symptoms. HIF-PH inhibitor is a small molecule that can be orally administered, which brings convenience to CKD patients with anemia. We expect to file an IND application with the CFDA for HIF-PH inhibitor in 2016.

Cinacalcet hydrochloride

Cinacalcet hydrochloride is a calcimimetic designed for the treatment of secondary hyperparathyroidism in patients with CKD who require dialysis and for the treatment of hypercalcemia in patients with parathyroid carcinoma. Cinacalcet hydrochloride works by signaling the body to produce less parathyroid hormone in order to decrease the amount of calcium in the blood. It is the first calcimimetic approved by the USFDA. It has been launched in North America, Australia, Europe and China. We filed IND application for our cinacalcet hydrochloride product in January, 2014. We believe that our cinacalcet hydrochloride product has the same structure as Sensipar, the innovative product manufactured by Amgen.

Sevelamer carbonate

Sevelamer carbonate is a phosphate binding product designed to control phosphorus levels in patients with CKD who require dialysis. Sevelamer carbonate is a non-absorbed binding crosslinked polymer. It contains multiple amines separated by one carbon from the polymer backbone. These amines exist in a protonated form in the intestine and interact with phosphate molecules through ionic and hydrogen bonding. By binding phosphate in the dietary tract and decreasing absorption, sevelamer carbonate lowers the phosphate concentration in the serum. We filed an IND application with the CFDA for our sevelamer carbonate product in May 2013. We believe that our sevelamer carbonate product has the same structure as Renagel, the innovative product manufactured by Genzyme.

Colestilan

Colestilan is a non-absorbed anion exchange resin that reduces cholesterol levels by bile acid adsorption through the gastrointestinal tract. Colestilan is being developed outside China for the treatment of hyperphosphatemia and Type 2 diabetes. Hyperphosphatemia is a condition characterized by elevated levels of phosphate in the blood, which increase the hospitalization and mortality rates of CKD patients. Colestilan has also been marketed in Japan for the treatment of hypercholesterolemia, a condition characterized by high levels of cholesterol in the blood.

We believe that no company has received approval to manufacture or market colestilan in China. In August 2014, we entered into a technology transfer agreement with Shandong Chengchuang Pharmaceutical R&D Co., Ltd (山東誠創醫藥技術開發有限公司) ("**Chengchuang**") for the development of colestilan. Under the agreement, Chengchuang shall obtain approval from the CFDA for clinical trials for colestilan and transfer such approval to us, which shall be owned by us exclusively. Chengchuang shall also transfer related patents to us. We will then carry out the clinical trials and apply for approval for manufacturing colestilan at our own cost. We will make milestone payments to Chengchuang. The IND application for colestilan was filed with the CFDA in July 2014.

Voclosporin

Voclosporin is a next-generation calcineurin inhibitor being developed for the treatment of lupus nephritis and other autoimmune diseases. Lupus nephritis is a kidney inflammation caused by systemic lupus erythematosus. In patients with lupus nephritis, renal damage may result in proteinuria, hematuria and a decrease in renal function. Without effective treatment, lupus nephritis can lead to permanent and irreversible tissue damage within the kidney, resulting in end-stage renal disease.

In August 2010, we entered into a development, distribution and license agreement for voclosporin with Aurinia, a Canada-based biopharmaceutical company focused on the discovery and development of immune modulating therapeutics. Under the agreement, Aurinia grants us exclusive import, manufacturing and distribution rights, including sublicensing rights, to all transplant and autoimmune-related indications of voclosporin in China, including Hong Kong and Taiwan, excluding ophthalmic indications and medical devices which were previously licensed to another party. We are responsible for the development, registration and commercialization of voclosporin in China. Under the agreement, all intellectual properties relating to voclosporin discovered or invented by us shall be owned by us, and we have granted Aurinia a royalty-free, exclusive licence, without sublicensing rights, to such intellectual properties.

In consideration for the licensing arrangement, we invested US$4.5 million in Aurinia through subscription of a three-year convertible debenture with an interest rate of 7% per annum on August 16, 2010. Please refer to the section headed "History, Reorganization and Corporate Structure—Acquisitions, Investments and Disposal—Investment in Aurinia" in this prospectus. Under the licensing agreement, we shall also make an upfront payment and, should voclosporin reach market, royalty payments based on our net sales of voclosporin to Aurinia.

Aurinia is currently sponsoring a global multi-center Phase II clinical trial for voclosporin's lupus nephritis indication. We are currently evaluating our registration strategies for voclosporin in China.

DJ5

DJ5 is a new chemical entity for the treatment of autosomal dominant polycystic kidney disease ("**ADPKD**"), which we are developing in collaboration with the Shanghai Institute of Materia Medica ("**SIMM**"), a division of the Chinese Academy of Sciences, and Shanghai Changzheng Hospital (上海長征醫院) ("**SCH**"), an affiliate hospital of the Second Military Medical University (第二軍醫大學).

ADPKD is a genetic disease caused by a hereditary abnormality in the genes. ADPKD is the most common type of hereditary cystic kidney diseases. It occurs in one to two per 1,000 live births in the United States and Europe. Currently, there is no effective drug approved for the treatment of ADPKD worldwide. DJ5 showed significant effect on both rats and mice models to improve the renal function, regulate the survival rate and proliferation rate of epithelial cells.

Under our agreement with the SIMM and SCH, which we entered into in June 2013, SIMM and SCH would transfer to us the patents relating to DJ5 and we will have the global rights to conduct clinical trials and to market and sell DJ5. Under our agreement, all results achieved during the development of DJ5, including all technologies and intellectual property rights relating to DJ5, shall be owned by us. We will make milestone payments and, should DJ5 reach market, royalty payments based on our net sales of DJ5 to SIMM and SCH. We plan to file an IND application with the CFDA for DJ5 in 2016.

PEG-Irinotecan

PEG-irinotecan is a long-acting polymer-drug conjugate which inhibits topoisomerase I (Topo-I). Topo-I is over-expressed in many solid tumors, including colorectal, ovarian, breast, glioma, and small cell and non-small cell lung cancers. Each year, approximately 1.2 million patients are diagnosed with one of these types of cancer in China. PEG-irinotecan was developed by JenKem Technology Co., Ltd ("**JenKem**"), a biotechnology company in China. Compared to first-generation Topo-I inhibitor products, PEG-irinotecan enables a slow, continuous release of the active drug to selectively target the leaky vasculature of tumor tissues and reduces tumor cell division by inhibiting Topo-I.

In September 2014, we were granted an exclusive license by JenKem to develop, manufacture and market PEG-irinotecan in the PRC. Under the licensing agreement, upon obtaining approval from the CFDA for clinical trials for PEG-irinotecan, JenKem shall transfer such approval to us. JenKem shall be responsible for all development expenses prior to obtaining such approval, and we shall be responsible for all development expenses thereafter. We will make milestone payments and, should PEG-Irinotecan reach market, royalty payments based on our sales of PEG-Irinotecan to JenKem. After the effective date of the licensing agreement, any new intellectual property relating to PEG-irinotecan shall be owned by the developer of such intellectual property. However, without JenKem's prior written consent, we shall not apply for patents that may limit any intellectual property relating to PEG-irinotecan that JenKem has acquired or may acquire. We filed an IND application with the CFDA in May 2014. We intend to initially develop PEG-irinotecan for metastatic colorectal, breast and platinum-resistant ovarian cancers.

Bcl-2/xL inhibitor and IAP inhibitor

In March 2010, we entered into a strategic alliance with Ascentage Pharma, a Hong Kong-based therapeutic research company, to research, develop and commercialize targeted cancer therapeutics focusing on programmed cell death, or apoptosis. Small-molecule apoptosis inducers have the potential to play a key role in the next generation of targeted anti-cancer drugs.

Under our agreements with Ascentage Pharma and its PRC affiliated entity, Ascentage Shanghai, we paid a total consideration of approximately US$3 million, to fund Ascentage Pharma's apoptosis related research and development programs ("**Ascentage Programs**"), and for acquiring 40% equity interests in both Ascentage Pharma and Ascentage Shanghai, and the exclusive right to develop and commercialize in mainland China the cancer therapeutics that are developed through the Ascentage Programs. Ascentage Pharma shall own all intellectual properties developed by Ascentage Shanghai, and shall have commercialization rights outside China to the extent that our rights in China are not adversely affected.

Ascentage Shanghai has an established track record in late stage discovery, preclinical studies and IND applications, working with both the CFDA and the USFDA. Ascentage Shanghai focuses on developing new chemical entity (NCE) drugs in the oncology area using apoptosis technology, building on molecules and compounds licensed from the University of Michigan.

Ascentage Pharma has acquired the exclusive commercialization rights to Bcl-2/xL inhibitor and IAP inhibitor (collectively, the "**Ascentage Product Candidates**") in mainland China, Hong Kong, Taiwan and Macau. Bcl-2/xL inhibitor is a pan-Bcl-2 inhibitor in Phase II development for treating non-small cell lung cancer (NSCLC), the most common form of lung cancer. IAP inhibitor, currently in pre-clinical development, is a multi-IAP inhibitor with a broad range of potential indications encompassing solid tumors and leukemia. Pursuant to our agreements with Ascentage Pharma and Ascentage Shanghai, we have the exclusive right to develop and commercialize in China the Ascentage Product Candiates through the Ascentage Programs. The product candidates developed under the Ascentage Programs may be added or changed based on the parties' mutual interest.

In April 2015, we entered into a letter agreement with Ascentage Pharma, Ascentage Shanghai and Ascentage Jiangsu (the "**Ascentage Parties**") clarifying and modifying our commercialization rights in the Ascentage Product Candidates. The effectiveness of the letter agreement is conditioned upon the receipt by the Ascentage Parties or any companies that Ascentage Pharma may swap Shares with any funds of at least US$5 million within 90 days thereof. Under the letter agreement, in the event that a third party provides any of the Ascentage Parties with a bona fide written offer (the "**Bona Fide Offer**") to in-license the commercialization rights to the Ascentage Product Candidates in China, we will have the right of first refusal to in-license the same on the same terms and conditions as the Bona Fide Offer pertains to China. However, if the Bona Fide Offer covers a territory that includes, besides China, one or more of the United States, Europe and Japan, we will not have the right of first refusal but will be eligible to receive a certain percentage of the upfront and milestone payments (after deducting certain research and development expenses incurred by the Ascentage Parties) under the Bona Fide Offer. We may also opt to waive our share of the upfront and milestone payments in exchange for an additional right of first refusal to a future Bona Fide Offer for a different product candidate.

Leukotuximab

Leukotuximab is an injectable solution formulation of recombinant anti-JL1 chimeric antibody that binds to a specific epitope (JL1 antigen) on CD43 for the treatment of acute leukemia, which we are developing in collaboration with DiNonA Inc. ("**DiNonA**"), a leading biotechnology company based in Korea. Leukemia animal models administered with leukotuximab have shown significant improvement in survival rates and no evidence of toxicity.

JL1 is not expressed in normal mature tissues, but is highly expressed in the blood cells of acute leukemia patients with 87% overall prevalence. Therefore, anti-JL1 chimeric antibody leukotuximab selectively targets and causes cell death in blood cells affected by leukemia, demonstrating its therapeutic efficacy. Leukotuximab achieves its anti-leukemia effect by inducing antibody-dependent

cellular cytotoxicity (ADCC). According to Frost and Sullivan, there are two to three million acute leukemia patients in China, and 30,000 to 40,000 patients are newly diagnosed each year. Due to its safety and efficacy compared to other treatments of acute leukemia, such as chemotherapy and bone marrow transplant, Leukotuximab has significant market potential in China.

An open label and dose-escalating Phase I clinical in Korea started in June 2014 and is expected to complete in late 2015. Under our agreement with DiNonA, which we entered into in July 2014, we have an exclusive license to develop, market and sell leukotuximab in China and 13 foreign countries. We will make milestone payments and, should leukotuximab reach market, royalty payments based on our sales of leukotuximab to DiNonA. Improvements relating to leukotuximab solely discovered or acquired by DiNonA during the term of our agreement shall be owned by DiNonA, but we have the first negotiation right to license such improvements on commercially reasonable terms. We expect to file an IND application with the CFDA for leukotuximab in 2017.

Tanibirumab

Tanibirumab is a KDR/VEGFR-2 neutralizing human antibody for the treatment of cancer, which we are developing in collaboration with PharmAbcine Inc. ("**PharmAbcine**"), a biotechnology company based in Korea. Angiogenesis, the physiological process through which new blood vessels form from pre-existing vessels, is correlated with disease progression and poor prognosis in many types of cancer. Tanibirumab has demonstrated anti-angiogenic efficacy against several cancer types and shown cross-species reactivity in multiple preclinical animal models including breast cancer, glioblastoma ("**GBM**"), lung cancer, colon cancer, and hepatocellular carcinoma (HCC). An open label and dose-escalating Phase I clinical trial in Korea was completed in November 2013, with good safety and efficacy results. A phase II study of tanibirumab for GBM in Korea is also being planned.

In October 2014, we entered into an exclusive licensing agreement with PharmAbcine to develop, manufacture and market tanibirumab in the greater China region, including Hong Kong, Macau and Taiwan, as well as Thailand, Russia and Brazil. We will make milestone payments and, should tanibirumab reach market, royalty payments based on our net sales of tanibirumab to PharmAbcine. Under the licensing agreement, we shall assign to PharmAbcine all rights, title and interest in or to any developments relating to tanibirumab at no cost, and, upon such assignment, PharmAbcine shall grant us an exclusive, non-transferable license to use such developments. We aim to file an IND application with the CFDA for tanibirumab in 2017.

DIG-KT

DIG-KT is a novel, first-in-class, human double-target antibody that binds and neutralizes VEGFR-2/KDR and Tie-2 receptors for the treatment of cancer, which we are developing in collaboration with PharmAbcine. VEGF and Tie-2 pathways, two important routes for formation of new blood vessels in various tumors, are critical for tumor growth and survival. The dependence of tumor growth and metastasis on blood vessels makes tumor angiogenesis a rational and validated target of cancer treatment. Although current anti-VEGF drugs such as bevacizumab, sorafenib and aflibercept are effective, cancer cells develop resistance via induction of angiopoietin/Tie-2 pathway, an alternate route to angiogenesis. Drugs targeting the Tie-2 pathway alone may have similar

limitations. DIG-KT, by concurrent inhibition of both VEGFR-2 and Tie-2 receptors, is expected to be more effective in both patients who have not received VEGF therapy and patients who have developed resistance to VEGF therapy. Preclinical studies have demonstrated superiority of DIG-KT over current drugs in bevacizumab-resistant murine models of GBM and pancreatic cancer.

In December 2014, we entered into an exclusive licensing agreement with PharmAbcine to develop, manufacture and market DIG-KT in China, Hong Kong, Macau, Taiwan and Korea. We will make an upfront payment, milestone payments and, should DIG-KT reach market, royalty payments based on our net sales of DIG-KT to PharmAbcine. Under the licensing agreement, we shall own all inventions and other information discovered or created by us, as well as all related intellectual property rights, and PharmAbcine shall have a non-exclusive royalty-free right to use such inventions or information to manufacture and sell DIG-KT outside our licensed territories. We aim to file an IND application with the CFDA for DIG-KT in 2018.

Anti-TNF α mAb

Anti-TNF αmAb is a genetically engineered TNF α inhibitor. TNF is one of the key chemokine messengers that regulate the inflammatory process and plays an important role in the underlying mechanisms of conditions such as rheumatoid arthritis, psoriasis, and many other inflammatory disorders. When the body produces too much TNF, it overwhelms the immune system's ability to control inflammation of the joints or of psoriasis-affected skin areas. The TNF inhibitors are molecules that disrupt the TNF function by blocking the binding of TNF to TNF receptors. Such blockage can result in a significant reduction in inflammatory activity and reduce symptoms, inhibit the progression of structural damage, and improve physical function in patients with moderate to severe rheumatoid arthritis. Anti-TNF α mAb is a genetically engineered mAb designed to prevent activation of the inflammation signaling cascade. Several TNF inhibitors developed by other companies have been approved by the USFDA and the CFDA.

The prevalence of rheumatoid arthritis in China is approximately 0.32%-0.36%. The number of rheumatoid arthritis patients in China is expected to increase with an aging population and increasing urbanization, presenting favorable market potential. According to IMS, the PRC TNF inhibitor market reached RMB708 million in 2013.

In March 2006, we entered into a licensing agreement with Epitomics, Inc. ("**Epitomics**"), under which we were granted an exclusive, royalty bearing, non-transferable and perpetual license in the field of therapeutic usage in order to develop and conduct clinical trials to obtain CFDA approval for anti-TNF α mAb. Under the agreement, we are also granted the right to manufacture, sell, market and distribute anti-TNF α mAb in China covered under the intellectual properties rights owned by Epitomics. We are required to pay an upfront licensing fee and a royalty based on the net sales of anti-TNF α mAb should it reach market. Under the agreement, we grant Epitomics the right to use all intellectual properties generated during the development of anti-TNF α mAb. However, if Epitomics uses this intellectual property for the development of anti-TNF α mAb outside of China, Epitomics shall pay us a royalty based on the financial benefit from licenses and product sales. In 2010, Apexigen Inc. was spun off from Epitomics and assumed all the rights and obligations under our agreement with Epitomics.

Our anti-TNF α mAb molecule was originally cloned by Epitomics using their proprietory rabbit mAb technology. We developed our industrial standard cell line based on their humanized molecule. Our pre-clinical testing showed higher potency than the best-known available products, such as Humira or Remicade.

An IND application was submitted to the CFDA for anti-TNF α mAb in May 2012. All pre-clinical studies of anti-TNF α mAb have been completed. Pre-clinical results showed a pharmacokinetic profile which could improve treatment options for rheumatoid arthritis patients. After receiving regulatory approval, we started Phase I trials in March 2015.

Pegsiticase

Pegsiticase, or Uricase-PEG 20, is a modified pegylated recombinant uricase derived from candida utilis, which we are developing for the treatment of refractory gout and hyperuricemia. It has been shown to lower uric acid when administered by intravenous infusion and intramuscular injection, and was safe and well-tolerated in a pair of phase I clinical studies in the United States sponsored by EnzymeRx LLC, a U.S.-based biotechnology company. Pegsiticase has received Orphan Drug designation from USFDA for refractory gout, tumor lysis syndrome and Lesch-Nyhan syndrome.

In November 2010, we acquired worldwide development, manufacturing and distribution rights, exclusive of Taiwan, of pegsiticase for all indications from EnzymeRx LLC, including all intellectual property owned by EnzymeRx LLC relating to pegsiticase, for a total consideration of US$6.25 million. We intend to develop pegsiticase in China and will seek partnerships for its development outside of China. In May 2014, we granted an exclusive license to Selecta Biosciences, Inc. ("**Selecta**"), a U.S.-based biotechnology company, to develop, commercialize and sell pegsiticase worldwide, excluding China, Hong Kong, Macau, Taiwan and Japan. Under the licensing agreement, Selecta shall make an upfront payment, milestone payments and, should pegsiticase reach market, royalties based on its net sales of pegsiticase to us.

Gout and hyperuricemia are common rheumatic diseases in China. Their prevalence in China has increased steadily in recent years, especially in developed areas and coastal areas. As indicated by a survey conducted in the city of Qingdao in 2002, the age-standardized prevalence of gout and hyperuricemia was 25.3% and 0.36%, respectively, among adults aged 20 to 74, according to Frost and Sullivan. The number of patients in China suffering from gout and hyperuricemia is expected to continue to grow rapidly due to changes in diet and lifestyle. Pegsiticase and other uricase drugs have significant market potential in China. According to IMS, the PRC uricase drug market exceeded RMB144 million in 2013. While currently focusing on gout and hyperuricemia, we may choose to explore and develop the other indications in the future.

Eltrombopag

Eltrombopag is a small-molecule TPO receptor agonist designed for the treatment of ITP, which can be orally administered to patients. Eltrombopag was first approved by the USFDA as an orphan

drug on November 20, 2008. It is currently marketed by GSK under the trade name Promacta. In August 2014, it was approved by the USFDA to be used in patients with aplastic anemia for which immunosuppression therapy has failed. Eltrombopag has not been launched in China. In September 2014, we filed an IND application with the CFDA for eltrombopag.

Nadroparin calcium

Nadroparin calcium is a form of low molecular weight heparin, which binds to antithrombin III (ATIII) and inhibits the activity of activated factor X (factor Xa), thereby inhibiting the final common pathway of the coagulation cascade and preventing the formation of a cross-linked fibrin clot. Compared to unfractionated heparin, nadroparin calcium has greater bioavailability and a longer duration of action, allowing it to be administered by subcutaneous injection for prophylaxis or treatment of thromboembolic disorders. Nadroparin calcium is currently marketed by GSK under the trade name Fraxiparine. In February 2015, we filed IND application with the CFDA for nadroparin calcium.

Fondaparinux sodium

Fondaparinux sodium is a synthetic pentasaccharide anticoagulant designed for the prevention of deep vein thrombosis in patients undergoing major orthopedic surgery of the lower limbs (MOSLL) such as hip fracture surgery (HFS), major knee surgery (MKS) or hip replacement surgery (HRS). Fondaparinux sodium is a synthetic and selective inhibitor of activated Factor X(Xa). The antithrombotic activity of fondaparinux is the result of antithrombin Ⅲ (AT Ⅲ) mediated selective inhibition of Factor Xa. Unlike its animal sourced competitors unfractionated heparin (UFH) and low molecular weight heparin (LMWH), fondaparinux sodium is manufactured by chemical synthesis. Fondaparinux sodium has been marketed in China by GSK under the name of Arixtra since 2008. We believe that our fondaparinux sodium product has the same formulation as Arixtra.

MANUFACTURING

We currently manufacture biopharmaceuticals at our production facilities in Shenyang, Liaoning and Shenzhen, Guangdong. Our Shenyang facilities consist of a mammalian cell-based production plant, where we manufacture EPIAO and TPIAO, and a bacterial cell-based production plant, where we manufacture Intefen and Inleusin. All packaging activities in relation to these products in the PRC are conducted at our Shenyang facilities. We also manufacture our product candidates for clinical trials at these facilities. We manufacture SEPO and Sparin at our Shenzhen facilities.

We generally manufacture our products based on quarterly order forecasts and anticipated additional orders that we are reasonably confident will be obtained. Lead times for raw materials and components vary and depend on the specific supplier and the availability and demand for the raw materials. We expect that our existing manufacturing facilities and outside sources will allow us to meet manufacturing needs for our biopharmaceuticals and product candidates that are in clinical trials in the near future.

The following table sets forth the designed production capacities, actual production volumes and utilization rates of the production lines at our production facilities in Shenyang and Shenzhen for the periods indicated:

	For the year ended December 31,		
	2012	2013	2014
	(in millions of vials/syringes)		
EPIAO			
Designed production capacity[(1)]	18.00	18.00	18.00
Production volume	8.65	9.66	8.95
Utilization rate[(3)]	48%	54%	50%
TPIAO			
Designed production capacity[(1)]	2.00	2.00	2.00
Production volume	0.22	0.36	0.51
Utilization rate[(3)]	11%	18%	25%
Intefen			
Designed production capacity[(1)]	5.00	5.00	5.00
Production volume	0.89	0.77	1.23
Utilization rate[(3)]	18%	15%	25%
Inleusin			
Designed production capacity[(1)]	1.00	1.00	1.00
Production volume	0.34	0.39	0.43
Utilization rate[(3)]	34%	39%	43%
SEPO			
Designed production capacity[(2)]	4.18	4.18	4.18
Production volume	3.28	3.54	2.96
Utilization rate[(3)]	78%	85%	71%
Sparin			
Designed production capacity[(2)]	16.00	16.00	16.00
Production volume	4.77	5.72	10.83
Utilization rate[(3)]	30%	36%	68%

Notes:

(1) Designed production capacity for EPIAO, TPIAO, Intefen and Inleusin was calculated based on 200 working days per year with eight working hours per day.

(2) Designed production capacity for SEPO and Sparin was calculated based on 240 working days per year with eight working hours per day.

(3) Utilization rate was calculated by dividing the actual production volume by the designed production capacity for the period indicated.

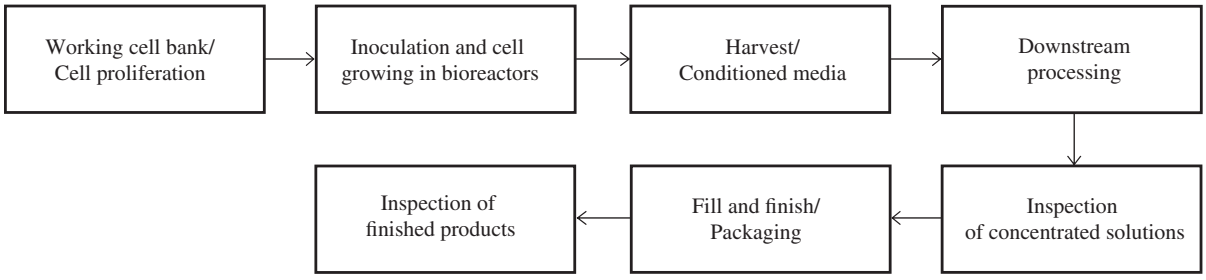
We have devoted significant efforts to continuously improving our production efficiency. Our average batch yield for EPIAO increased more than two-fold during the Track Record Period. As a result, our cost of sales as a percentage of revenue decreased from 10.7% in 2012 to 9.5% in 2013 and further to 7.7% in 2014.

As we are the only rhTPO manufacturer in China, the utilization rate for our TPIAO production line is mainly dependent on the market demand for rhTPO products in China. As sales of TPIAO continue to increase, we expect the utilization rate for our TPIAO production line to increase correspondingly.

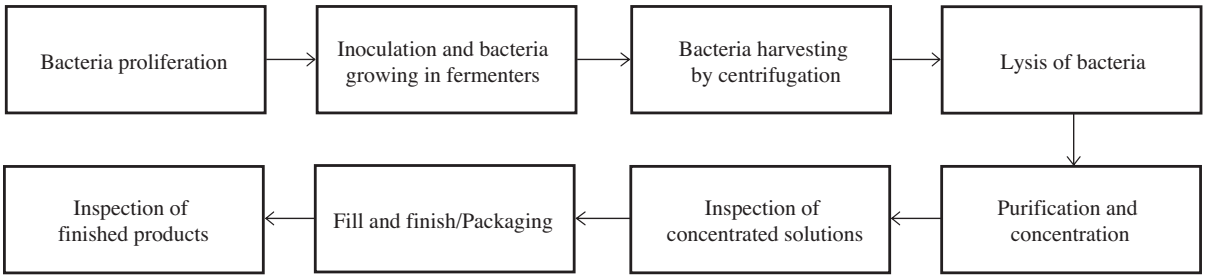
The utilization rate for our Intefen production line is relatively low and decreasing because it is no longer the focus of our production. However, we have maintained the production line and expect to utilize it to a higher extent for the production of potential new bacterial cell products such as pegsiticase.

Manufacturing Process

The following diagram summarizes the manufacturing process for our mammalian cell-based product lines, including EPIAO, SEPO and TPIAO:



The following diagram summarizes the production process for our bacterial cell-based product lines, including Intefen and Inleusin:



Quality Control and Assurance

As of December 31, 2014, our quality control team consisted of 65 dedicated employees, of whom nine held master's or higher degrees. As of December 31, 2014, our quality control team members on average had over ten years of industry experience.

We have our own independent quality control system and devote significant attention to quality control of the design, manufacturing and testing of our products. Our stringent product quality control starts from the research and development stage. Our laboratories are operated by highly educated and skilled technicians to ensure quality of all released batches of our products. We have established detailed quality control procedures guiding our internal production and external purchase of drugs and other materials used in our research experiments. To ensure high product quality, we have implemented a "quality-by-design" approach pursuant to which manufacturing processes are designed during the product development stage and quality control processes are continuously monitored.

We have established detailed internal rules governing the selection of raw material suppliers and raw material quality control. We purchase raw materials only from suppliers that we have verified business qualifications and product quality. We select suppliers based on a variety of factors including qualifications, business reputation, production scale, technological strengths, quality management capabilities, after-sales services and price. After initial screening by our procurement department, we request product samples from a supplier to be examined by our quality control team, whose report provides an important basis for our supplier selection decisions. In addition, we classify our raw materials into three categories in terms of their importance for our production. For the most important category of raw materials, we conduct at least one on-site quality audit at the manufacturer's production facilities and we require the distributor or the manufacturer to execute a quality guarantee agreement with us.

Our quality control team is responsible for ensuring that our manufacturing processes consistently conform to GMP standards. We have specific operating rules for production areas with varying degrees of cleanliness requirements. After completion of each production process, we perform cleaning procedures to prevent contamination, and the quality control team verifies that the production line has been properly cleaned before we proceed to the next production process. All of our cleaning procedures have been tested before their implementation. We have established a comprehensive set of standard operating procedures governing various aspects of production, such as factory cleaning, water purification and waste disposal.

Before we deliver our final products to customers, our quality assurance team conducts quality assessment of each batch of products to ensure that they have been produced in accordance with applicable GMP requirements and approved production processes. Authorized quality personnel 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 to confirm that all necessary examinations have been conducted with satisfactory results. Only the final products that have fulfilled all testing requirements can be released and sold to the market.

Product Returns and Warranty

Consistent with customary industry practice in China, we generally do not allow product returns or exchanges by our distributors unless specially provided in our sales agreements. Our distributors are required to inspect the products on delivery, and must notify us and obtain our written consent before damaged products can be returned or exchanged. Unilateral returns by a distributor without our prior consent may result in downgrade of its credit rating and credit terms. In 2012, 2013 and 2014, the amounts of our product returns were approximately RMB723,000, RMB1.5 million and RMB510,000, respectively, representing substantially less than 1% of our total sales during each period. Under PRC law, we are not required to provide warranties on our products, and we did not provide such warranties during the Track Record Period.

Facilities

Our main manufacturing facilities are located in the Shenyang Economy & Technology Development Zone. Our facilities in Shenyang are capable of bulk production of mammalian cell-based proteins and bacterial cell-based proteins, as well as formulation of final products. Our manufacturing facilities are equipped with state-of-art equipment supplied by top brands, such as bioreactors, centrifuges, chromatography systems, finish and fill lines and lyophilizers. In 2013, our mammalian cell-based production plant and bacterial cell-based production plant were both certified under the latest edition of the Chinese GMP by the CFDA.

In October 2011, we commenced building a new manufacturing facility in Benxi, Liaoning, to produce dialysis consumables. The designed annual capacity of the Benxi facility is approximately 15 million liters of dialysate, approximately 2 million kilograms of dialysis powder and approximately 500,000 liters of disinfectant. We plan to primarily market these products to hospitals in China that purchase our pharmaceutical products. The total capital expenditure for this new facility is approximately RMB56 million, all of which had been incurred as of December 31, 2014. We have financed this construction project with cash generated from operating activities. The new facility is expected to commence operations in 2015.

We also plan to start constructing new facilities for the production of EPIAO and TPIAO in or around June 2016, and the construction is expected to be completed by the end of 2018. Although the utilization rate of our current TPIAO production lines was approximately 25% in 2014, TPIAO sales grew at a CAGR of 45.4% during the Track Record Period. We expect TPIAO sales to continue to grow rapidly. Assuming TPIAO sales will grow at a CAGR of 30% from 2014, we expect our current TPIAO production lines to reach full capacity around 2019. We plan to finance this construction project with cash generated from operating activities, bank borrowings and proceeds from this Global Offering. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

In December 2014, we acquired Sciprogen, together with its manufacturing facilities in Shenzhen. We manufacture SEPO and Sparin in our Shenzhen facilities. In 2013, Sciprogen's Shenzhen production plant was certified under the latest Chinese GMP.

We have started constructing new manufacturing facilities on a parcel of land with a total site area of approximately 53,333 square meters in Dongguan, Guangdong (the "**Songshanhu Land**") to expand our production capacities of SEPO and Sparin. These new facilities are designed to have an annual production capacity of approximately 15 million vials/syringes of SEPO and approximately 60 million vials/syringes of Sparin. When these facilities become fully operational, we intend to convert Sciprogen's current manufacturing facilities in Shenzhen into a research and development center. The estimated total capital expenditure for the Dongguan facilities is approximately RMB320 million, of which approximately RMB40 million had been incurred as of December 31, 2014. We plan to finance this construction project with cash generated from operating activities, bank borrowings and proceeds from this Global Offering. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

In December 2014, we acquired Sirton, together with its manufacturing facilities in Como, Italy. Our Como facilities are authorized to manufacture injectable pharmaceutical products in various formats including pre-filled syringes, lyophilized vials, liquid vials and ampoules. In 2014, our Como facilities were granted a GMP certificate for the production of human medicinal products by the Italian Medicines Agency.

We believe that our facilities and equipment are in good working condition.

Our Suppliers

Our suppliers mainly include suppliers of raw materials and packaging materials, as well as manufacturers of our in-licensed products. In 2012, 2013 and 2014, our five largest suppliers accounted for 38.0%, 41.3% and 49.3%, respectively, of our total purchases, and our largest supplier accounted for 10.1%, 10.5% and 13.3%, respectively, of our total purchases. During the Track Record Period, none of our Directors or their associates or our Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of the five largest suppliers. Our five largest suppliers in 2013 on average had over five years of relationship with us. During the Track Record Period, none of our suppliers was also our major customer.

Raw materials and supplies required for the manufacture of our products include, among others, cell growth medium, fetal bovine serum and chromatography resins and columns. Packaging materials required for the manufacture of our products include, among others, syringes, glass vials and boxes. These raw materials and packaging materials are generally available from various suppliers in quantities adequate to meet our needs. We internally develop and produce cell lines and solutions for the production of our biopharmaceuticals. We primarily source our raw materials from a variety of international suppliers through their local distributors. We do not anticipate any significant fluctuations in price or any significant disruptions in the supply of our raw materials in the near future. However, we have single-source suppliers for some components and value-added steps. Please refer to the section headed "Risk Factors—Risks Related to Our Business and Industry—Certain of our raw materials, medical devices and components are single-sourced from third parties; third-party supply failures could adversely affect our ability to supply our products" in this prospectus. It is our current belief that the costs for switching our suppliers will not be high because alternative suppliers are readily available.

We carefully select our suppliers based on various factors, including their product selection, quality, reputation and business scale. Shipping costs are generally borne by our suppliers. We are typically granted credit terms of 30 to 90 days. To manage the prices of our raw materials and other supplies, from time to time we make arrangements with our suppliers to reduce prices in exchange for shorter credit terms. Our suppliers are not responsible for any quality defects in the products we manufacture unless the defects are directly caused by the bad quality of the raw materials supplied. Under our standard supplier contract, we have the right to return or exchange products if quality issues are discovered during inspection or use of the products.

We have not experienced any disruptions in the supply of these raw materials in the past. We do not need CFDA approval to change suppliers. In the event that any one of these supply arrangements or agreements is terminated or the ability of any one of these suppliers to perform under our agreements were to be materially adversely affected, we believe that we will be able to locate, qualify and enter into an agreement with a new supplier on a timely basis. We maintain long-term relationships with most of our suppliers and place orders from these suppliers on an as-needed basis.

Inventory Management

Our inventory primarily consists of finished products, work in progress, raw materials, active pharmaceutical ingredients, excipients and packaging materials. We have established an inventory management system that monitors each stage of the warehousing process. Warehousing personnel are responsible for the inspection, storage and distribution of production materials and finished products. All materials and products are stored in different areas in warehouse according to their storage condition requirement, properties, usage and batch number. Warehousing personnel regularly check to ensure consistency among the raw material or product, logbook and material card. As of December 31, 2012, 2013 and 2014, we made provision for impairment loss of our inventories in the amount of RMB323,000, RMB361,000 and RMB1.4 million, respectively.

OUR STRATEGIC COOPERATION WITH CP GUOJIAN

In December 2014, we entered into a strategic cooperation agreement with CP Guojian. CP Guojian is a PRC biopharmaceutical company focusing on the development, manufacture and marketing of mAb therapeutics. CP Guojian currently markets two products, Yisaipu (益賽普) and Xenopax (健尼哌). Its core product, Yisaipu, generically known as Etanercept, is a TNF α inhibitor product indicated for the treatment of rheumatoid arthritis, with a dominant market share of 61.0% by sales in 2013, according to IMS. CP Guojian has a pipeline of mAb product candidates with significant market potential in the areas of oncology and rheumatology including: Ipterbin (賽普汀) designed for the treatment of HER2 over-expressing metastatic breast cancer, Jiantuoxi (健妥昔) designed for the treatment of CD20-positive B-cell non-Hodgkin's lymphoma and Yilairui (益來瑞) designed for the treatment of auto-immune diseases such as rheumatoid arthritis.

Under the strategic cooperation agreement with CP Guojian, we intend to cooperate with each other in the following areas:

- *Manufacturing.* We intend to use CP Guojian as a contract manufacturer for our future mAb therapeutics to avoid the high upfront investment involved in building our own production

facilities for mAb therapeutics. Our product pipeline currently includes four mAb product candidates, and we aim to identify and develop additional mAb product candidates in the coming years. CP Guojian currently operates five antibody production lines with a total annual capacity of over 8,000 liters. Additionally, six new antibody production lines with a total annual capacity of 30,000 liters are under construction. We believe that CP Guojian's production facilities and extensive expertise in mAb manufacturing and quality control will help us accelerate the commercialization of our product candidates and increase their market acceptance.

- *Sales and Marketing.* We intend to cooperate with CP Guojian in sales and marketing to leverage each company's strengths in different therapeutic areas. For example, we may help market CP Guojian's oncology products with our oncology sales team and CP Guojian may help market our future rheumatology products with its rheumatology sales team. We also intend to exchange technical knowledge and sales experience with CP Guojian to improve both companies' marketing effectiveness.

- *Research and Development.* We intend to cooperate with CP Guojian to improve various aspects of the mAb research and development, including cell line development, cell culture development, medium development, purification and preparation processes. We also intend to cooperate with CP Guojian in our product development projects and aim to optimize each company's product pipeline and portfolio.

- *Product Registration.* We intend to regularly exchange information with CP Guojian with respect to each company's progress in product registration in China and abroad. We aim to accelerate each company's product commercialization process through cooperation.

COMPETITION

We face competition from both biotechnology and chemical pharmaceutical companies. We compete primarily on the basis of managerial and technological expertise, brand recognition, academic promotion activities and the ability to identify and market commercially viable products. Other factors affecting our competitive position include pricing, reimbursement, time to market, patent position, product efficacy, safety, reliability and availability.

As a result of our long history as a provider of high-quality protein-based therapeutics to the Chinese market and our long-term efforts made to build up strong relationships with hospitals, medical professionals and patients, we believe our Shenyang Sunshine brand is widely recognized throughout the PRC medical community for quality and reliability, particularly in the nephrology and oncology areas. Furthermore, we believe we are well positioned to compete in the fast-developing Chinese biotechnology market with our diverse product portfolio, proven research and development capabilities, established sales and marketing network, proprietary manufacturing processes and efficient cost structure.

The identities of our key competitors vary by product. Although our core products are currently dominant in their respective markets, it is still possible that our competitors may successfully develop, acquire or in-license products contending market leadership. For any of our products, our competitors may compete with products that are better recognized for certain indications or more accepted in the medical profession. Please refer to the paragraph "—Our Product Candidates" in this section for further details of our major competitors in respect of our key products.

INTELLECTUAL PROPERTY

We have acquired intellectual property in and outside China and may seek additional patents to protect our innovations in the future.

As of the Latest Practicable Date, we had been granted 16 patents in China and two patents in the United States, and we had seven pending patent applications in China. In addition, we have been granted a non-exclusive license by Genentech, Inc. to sell TPIAO worldwide without infringing certain TPO-related U.S. patents owned by Genentech, Inc. We have PRC patents related to four of our current products: EPIAO, TPIAO, SEPO and Inleusin. Sales of these products (excluding SEPO, which we acquired on December 31, 2014) in China accounted for 87.5%, 89.7% and 91.4% of our total sales of goods in 2012, 2013 and 2014, respectively.

As of the Latest Practicable Date, we owned 29 registered trademarks in China, two registered trademarks in Italy, two registered trademarks in Brazil, one Community registered trademark covering the European Union and one international trademark registration covering the European Union and Switzerland. We had five pending trademark applications in China and three pending trademark applications in Hong Kong.

For details of our intellectual property, please refer to the section headed "Statutory and General Information—C. Intellectual Property Rights of Our Group" in Appendix IV to this prospectus.

We also rely on trade secrets, proprietary know-how and continuing technological innovation to develop and maintain a competitive position for our products. We generally require our employees, consultants and advisors to enter into confidentiality agreements. These agreements provide that all confidential information developed or made known to the individual during the course of the individual's relationship with us is to be kept confidential and not disclosed to third parties except under specific circumstances. In the case of our employees, the agreements provide that all of the technology which is conceived by the individual during the course of employment is our exclusive intellectual property. Further, as a matter of company policy, all scientific and technical employees have entered into agreements that generally require disclosure and assignment to us of ideas, developments, discoveries and inventions made by them which are relating to their employment with us.

We also follow procedures to ensure that we do not infringe on the intellectual property rights of others. As of the Latest Practicable Date, we had not been involved in any significant intellectual property disputes or encountered major difficulties in enforcing our intellectual property rights in China.

LAND AND PROPERTIES

The following table summarizes the properties we owned as of the Latest Practicable Date:

Location	Land Use Right or Ownership	Property
Shenyang, Liaoning		
Shenyang Economy and Technology Development Zone	Land use right for a total site area of approximately 45,712 square meters	Production facilities for our biopharmaceuticals and offices with a total gross floor area ("**GFA**") of approximately 24,600 square meters(1)
Qingnian Street	Land use right for a site area of approximately 59 square meters	Offices with a total GFA of approximately 486 square meters
Others	—	Dormitories and a garage with a total GFA of approximately 440 square meters.
Benxi, Liaoning	Land use right for a site area of approximately 25,047 square meters	Production facilities under construction for our dialysis consumables with a total GFA of approximately 10,000 square meters
Beijing	Land use right for a site area of approximately 50 square meters	Offices with a total GFA of approximately 1,118 square meters
Shenzhen, Guangdong	Land use right for a total site area of approximately 9,919 square meters	Production facilities and animal laboratory with a total GFA of approximately 10,040 square meters
	—	Dormitories with a total GFA of approximately 748 square meters
Dongguan, Guangdong	Land use right for a total site area of approximately 53,333 square meters	Production facilities under construction with a total GFA of approximately 14,953 square meters
Villa Guardia, Italy	Land ownership for a total site area of approximately 5,400 square meters	Production facilities and offices with a total GFA of approximately 10,800 square meters

Note:

(1) As of the Latest Practicable Date, we were in the process of applying for the ownership certificate for one building used as our production facilities with a GFA of approximately 11,672 square meters. As advised by our PRC Legal Advisor, there is no material legal impediment for us to obtain such certificate. We expect to obtain the building

ownership certificate by early June 2015 before Listing. As required by PRC law, the building had passed completion inspection and we had obtained the completion inspection filing form from the relevant government authority before we commenced production activities at the building. According to our PRC Legal Advisor, we are not required to obtain the building ownership certificate before putting the building into use. Therefore, our PRC Legal Advisor has confirmed that the absence of the building ownership certificate will not subject us to any administrative penalties or adversely affect our possession or use of the building. However, in the absence of the building ownership certificate, we may not be able to sell or lease the building, or use it as collateral for borrowings. As of the Latest Practicable Date, we also had not obtained the ownership certificate for one building used as an entrance guard booth with a GFA of approximately 131 square meters. We may not be able to obtain such certificate due to our failure to go through certain procedures prior to its construction.

The following table summarizes the properties leased from Independent Third Parties which we had the right to use as of the Latest Practicable Date:

Location	Property
Shanghai	Leased offices with a total GFA of approximately 516 square meters
Guangzhou, Guangdong	Leased offices with a total GFA of approximately 92 square meters[(1)]
Dongguan, Guangdong	Leased office with a total GFA of approximately 121 square meters[(1)]
Shanghai	Leased office with a total GFA of approximately 54 square meters[(1)]

Note:

(1) As of the Latest Practicable Date, we had not registered the lease agreement with the relevant government authority.

As at December 31, 2014, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings.

EMPLOYEES

As of December 31, 2014, we had a total of 1,352 employees, of whom 447 were located in Liaoning Province, 251 were located in Guangdong Province, 98 were located in Beijing, 488 were located in various other regions throughout China, and 68 (all of whom were Sirton's employees) were located in Italy. As of December 31, 2014, 630 of our employees held bachelor's or higher degrees, and 108 held master's or higher degrees. The following table shows a breakdown of our employees by function as of December 31, 2014:

	Number of employees	% of total
Manufacturing and services	358	26.5
Research and development	127	9.4
Sales and marketing	724	53.6
General and administration	143	10.6
Total	1,352	100.0

We believe that our success will depend in part on our ability to attract, recruit and retain quality employees. To maintain the quality, knowledge and skill levels of our workforce, we provide our employees with periodic training, including introductory training for new employees, technical training, professional and management training and health and safety training. We provide our sales and marketing team with extensive training. Please refer to the paragraph headed "—Sales, Marketing and Distribution—Our In-house Sales Force" in this section for further details.

We enter into individual employment contracts with our employees to cover matters such as wages, benefits, and grounds for termination. We generally formulate our employees' remuneration package to include salary, bonus and allowance elements. Our compensation programs are designed to remunerate our employees based on their performance, measured against specified objective criteria. We also provide our employees with welfare benefits in accordance with applicable regulations and our internal policies.

We have established an employee association that represents employees with respect to promulgation of bylaws and internal protocols. As of December 31, 2014, all of our employees in China were members of the employee association. Such employee association may represent employees for the purpose of collective bargaining. We believe that we maintain a good working relationship with our employees and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

In accordance with applicable regulations in the PRC, we participate in a pension contribution plan, a medical insurance plan, an unemployment insurance plan and a personal injury insurance plan for our employees. We have made adequate provisions in accordance with applicable regulations. Also, in accordance with PRC regulations, we make annual contributions towards a housing fund, a supplemental medical insurance fund and a maternity fund.

INSURANCE

We maintain insurance policies for all of our properties, manufacturing facilities, plant and machinery, equipment and inventories against damage caused by accidents. We also maintain various insurances in relation to our export business, such as export credit insurance and international cargo insurance. Under PRC laws and regulations, we are not required to, and we do not, maintain any insurance in relation to our business operations, such as business interruption insurance, or product liability insurance against claims or liabilities that may arise from products that we have sold. We believe that our insurance coverage is in line with industry practice in the PRC. We did not experience any material industrial accidents during the Track Record Period.

LICENSES AND PERMITS

As a China-based company developing, manufacturing, marketing and selling pharmaceutical products, we are subject to regular inspections, examinations and audits, and are required to maintain or renew the necessary permits, licenses and certifications for our business. Our PRC Legal Adviser has advised us that, as of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from the relevant government authorities that are material for our business operations in the PRC. Our PRC Legal Adviser has advised us that there is no material legal impediment to renew such licenses, approvals and permits.

The following table sets forth details of our material licenses and permits:

License/Permit/Certificate	Holder	Purpose	Issuing Authority	Validity Period
Drug Production License (藥品生產許可證)	Shenyang Sunshine	Production of EPIAO, TPIAO, Intefen and Inleusin at our Shenyang facilities	Liaoning Food and Drug Administration ("**Liaoning FDA**")	January 1, 2011 to December 31, 2015
Drug Production License (藥品生產許可證)	Sciprogen	Production of SEPO, Sparin and LMWH-Ca API at our Shenzhen facilities	Guangdong Food and Drug Administration ("**Guangdong FDA**")	January 1, 2011 to December 31, 2015
Certificate of GMP for Pharmaceutical Products (藥品GMP證書) (CN20130139)	Shenyang Sunshine	Production of EPIAO and TPIAO	CFDA	May 15, 2013 to May 14, 2018
Certificate of GMP for Pharmaceutical Products (藥品GMP證書) (CN20130349)	Shenyang Sunshine	Production of Intefen and Inleusin	CFDA	October 31, 2013 to October 30, 2018

License/Permit/Certificate	Holder	Purpose	Issuing Authority	Validity Period
Certificate of GMP for Pharmaceutical Products (藥品GMP證書) (CN20130450)	Sciprogen	Production of SEPO (vial format) and Sparin	CFDA	December 11, 2013 to December 10, 2018
Certificate of GMP for Pharmaceutical Products (藥品GMP證書) (CN20140318)	Sciprogen	Production of SEPO (prefilled format)	CFDA	August 19, 2014 to August 18, 2019
Certificate of GMP for Pharmaceutical Products (藥品GMP證書) (粵L1019)	Sciprogen	Production of LMWH-Ca API	Guangdong FDA	January 19, 2011 to January 18, 2016(1)
Drug Trading License (藥品經營許可證)	Liaoning Sunshine	Wholesale of pharmaceutical products	Liaoning FDA	July 8, 2014 to July 7, 2019
Certificate of GSP for Pharmaceutical Products (藥品經營質量管制規範認證證書).....	Liaoning Sunshine	Wholesale of pharmaceutical products	Liaoning FDA	July 8, 2014 to July 7, 2019
Medical Device Trading License (醫療器械經營企業許可證)	Liaoning Sunshine	Trading of medical devices	Liaoning FDA	August 18, 2010 to August 17, 2015
Medical Device Production License (醫療器械生產企業許可證)	Liaoning Sunshine Technology	Production of cardiopulmonary bypass and blood processing devices	Liaoning FDA	July 15, 2013 to July 14, 2018
Medical Device Trading License (醫療器械經營企業許可證)	Liaoning Sunshine Technology	Trading of medical devices	Liaoning FDA	July 14, 2010 to July 13, 2015
Medicine manufacturing authorization.....	Sirton	Production of human medicinal products	Italian Medicines Agency ("**AIFA**")	From May 16, 2014(2)
GMP certificate.....	Sirton	Production of human medicinal products	AIFA	September 13, 2013 to September 12, 2016

Notes:

(1) Issued under an older GMP standard; a new GMP certificate must be obtained to continue production after December 31, 2015. We plan to upgrade Sciprogren's LMWH-Ca API facilities in the first half of 2015 to comply with the latest PRC GMP standards. Our PRC Legal Advisor is of the opinion that, if the upgraded facilities meet the standards required by the latest PRC GMP and applicable PRC laws and regulations, there is no material legal impediment to obtain the new GMP certificate.

(2) Subject to periodical updates (usally concurrent with the issuance of a new GMP certificate) following the AIFA's inspection.

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business. We are not a party to, and we are not aware of any threat of, any legal, arbitral or administrative proceeding that, in the opinion of our Directors, is likely to have a material and adverse effect on our business, financial condition or results of operations, nor have we experienced any incident of non-compliance which, in the opinion of our Directors, is likely to materially and adversely affect our business, financial condition or results of operations. As of the Latest Practicable Date, none of our Directors or senior management was involved in any material litigation, arbitration or administrative proceeding.

From the beginning of the Track Record Period and up to the Latest Practicable Date, we had the following non-compliance incidents, two of which involved Sciprogen, a subsidiary we acquired in December 2014:

Direct lending to DaVita JV

In 2012 and 2013, Shenyang Sunshine and Liaoning Sunshine Technology directly extended a total of seven loans to DaVita JV and three medical institutions managed by DaVita JV with a total principal amount of RMB11.4 million to support their operations. The interest rates under these loans ranged from 5.6% to 6.0%. As of the Latest Practicable Date, all these loans remained fully or partially outstanding, with a total principal balance of RMB11.2 million.

As advised by our PRC Legal Advisor, under the General Lending Provisions (《貸款通則》) promulgated by the PBOC in 1996, PRC companies are not permitted to engage in direct lending activities without regulatory authorization. The PBOC has the power to suppress such direct lending activities and, in case of interest-bearing loans, companies engaging in direct lending activities could be subject to a penalty between one to five times of the income generated from such activities. Based on the expected termination dates (before Listing) and the effective interest rates of these loans agreed upon between DaVita JV and us, the maximum potential penalty we could be subject to is RMB7.5 million.

While extending loans to other companies may result in a technical violation under the General Lending Provisions, we did not have any intention to engage in general lending business. We provided the loans to DaVita JV, a joint venture of ours, and its affiliated medical institutions, solely for the purpose of supporting their operations. As of the Latest Practicable Date, neither Shenyang Sunshine nor Liaoning Sunshine Technology had been investigated or penalized by PRC government authorities in connection with the lending activities.

We have ceased directly extending new loans to other companies since June 2013. Dr. Lou, one of our Management Controlling Shareholders, has undertaken to fully indemnify the Company should Shenyang Sunshine or Liaoning Sunshine Technology be subject to any penalty due to the abovementioned direct lending activities. Furthermore, our PRC Legal Advisor is of the view that, other than the potential monetary penalty described above, the likelihood that we will be subject to any administrative punishment for the direct lending activities is relatively low. Therefore, the Directors are of the view that the abovementioned incident will not have a material adverse impact on our business or results of operations.

We are working with DaVita JV to have it repay the direct loans described above as soon as practicable via bank-entrusted loans. We have started the process with a PRC bank to extend loans to DaVita JV via an entrustment agreement, which does not violate the General Lending Provisions as confirmed by our PRC Legal Advisor. We expect that DaVita JV will repay the direct loans with the proceeds from the bank-entrusted loans before Listing.

In order to prevent any similar non-compliance in the future, we have formulated a policy prohibiting lending to other companies, including our associates, customers and suppliers. A memorandum was circulated to all members of the finance department reminding them to adhere to this policy. We have designated our chief financial officer to review and approve transactions that are not in the ordinary course of our business prior to their execution.

Environmental protection procedures required for Sciprogen production facilities in Shenzhen

Sciprogen failed to submit environmental impact assessment studies before commencing the construction of its Sparin production facilities and expansion of its SEPO production facilities in Shenzhen. Sciprogen also failed to apply for the requisite completion inspection of environmental protection facilities and obtain a pollutant discharge permit for its production facilities. According to our PRC Legal Advisor, due to these non-compliance incidents, Sciprogen could be subject to penalties of up to RMB1.2 million and be ordered by relevant government authorities to suspend production at its facilities until the non-compliance is rectified.

These non-compliance incidents occurred before we acquired Sciprogen and we have taken measures to rectify the abovementioned incidents immediately following the acquisition. We have engaged a qualified environmental impact technology consultant to prepare the necessary environmental impact assessment studies and to propose a rectification plan that aims to minimize the likelihood of production suspension. On May 14, 2015, we submitted these studies to the Technology Review Center of Shenzhen Habitation and Environment (深圳市人居環境技術審查中心) for its review. After such review, we will revise the studies and submit them to the Shenzhen Habitation and Environment Commission (深圳市人居環境委員會) (the "**Environmental Commission**") for approval. After receiving such approval, we plan to construct the required environmental protection facilities and apply for completion inspection thereof. After passing such inspection, we will be able to apply for a pollutant discharge permit. Based on our knowledge and past experience, we estimate that it may take the Environmental Commission one to three months to review and approve the environmental impact assessment studies. We estimate that we will complete the construction of the environmental protection facilities and obtain a pollutant discharge permit within two months after receiving the approval from the Environmental Commission.

Based on our interviews with the Environmental Commission and the Environmental Protection and Water Affairs Bureau of Longgang District (龍崗區環境保護和水務局) (the "**Environmental Bureau**") in March 2015, the Bantian Environmental Protection Sub-bureau (阪田環保所) (the "**Environmental Sub-bureau**") is responsible for the daily supervision of Sciprogen, and typically the Environmental Commission or the Environmental Bureau would not impose any punishment on Sciprogen unless the Environmental Sub-bureau has submitted a report recommending such punishment. During our interview with the Environmental Sub-bureau in March 2015, the Environmental Sub-bureau confirmed that, to its knowledge, Sciprogen has neither been involved in

any environmental pollution incident nor been punished for environmental violations, and was of the view that it has no plan to order Sciprogen to suspend operations at its Shenzhen facilities or recommend punishment of Sciprogen to the Environmental Bureau because (1) Sciprogen's production activities have not caused pollution; and (2) Sciprogen is already in the process of diligently rectifying its non-compliance with environmental protection regulations. Based on these interviews, and as confirmed by our PRC Legal Advisor, the likelihood that Sciprogen will be ordered to suspend operation at its production facilities in Shenzhen is relatively low. In addition, Sciprogen's Shenzhen facilities are currently in normal operation and its inventory will enable it to cover several months of customer demand for its products in the event it were required to suspend production. Furthermore, we estimate that Sciprogen will account for less than 10% of our Group's total revenue in 2015 (assuming continuous operation of its plant). Therefore, the Directors are of the view that the abovementioned incident will not have a material adverse impact on our business or results of operations.

Idle land

In 2011, Sciprogen's wholly-owned subsidiary, Guangdong Sciprogen, was granted the land use right for the Songshanhu Land by the Dongguan Land and Resources Bureau (the "**Land Bureau**") for a total consideration of RMB32 million. Under the land use right grant contract, Guangdong Sciprogen was required to commence construction on the Songshanhu Land by February 27, 2012 and complete construction by June 27, 2014. The commencement deadline and the completion deadline were subsequently extended by the Land Bureau to August 27, 2012 and December 27, 2014, respectively. On October 29, 2014, the Land Bureau issued a letter to Guangdong Sciprogen declaring that the Songshanhu Land became idle as of February 28, 2013. On December 15, 2014, the Land Bureau notified Guangdong Sciprogen that it planned to apply to the Dongguan municipal government for reclaiming Guangdong Sciprogen's land use right without compensation. On February 13, 2015, the Land Bureau held a hearing during which it received oral and written reports submitted by Guangdong Sciprogen. The Land Bureau is expected to further review the relevant materials and report its opinions to the Dongguan municipal government. Guangdong Sciprogen started construction on the Songshanhu Land in November 2014. On February 12, 2015, Guangdong Sciprogen was issued construction permits by the Dongguan Housing and Urban-Rural Development Bureau for the buildings under construction on the Songshanhu Land. The construction project is ongoing and is expected to be completed by the end of July 2015.

The abovementioned non-compliance incidents occurred before we acquired Sciprogen. Immediately following our acquisition of Scripogen, we took action to rectify the abovementioned non-compliance. We have obtained the necessary construction permits and aim to complete construction as soon as practical. In addition, pursuant to the agreements under which we acquired Sciprogen, the pre-acquisition shareholders of Sciprogen have agreed to indemnify us against 80% of all losses suffered by us resulting from the Songshanhu Land's non-compliance issues.

According to our PRC Legal Advisor, Guangdong Sciprogen could be subject to up to RMB42.1 million in damages and fines for the above non-compliance based on the current estimated completion timetable. As such, after taking account of the indemnity provided by the pre-acquisition shareholders of Scripogen, the portion of damages and fines for which we would ultimately be responsible would be up to RMB8.4 million based on the current estimated completion timetable. In addition, should the

Songshanhu Land remain idle for two years, the Dongguan municipal government could reclaim its land use right without compensation, in which case, the pre-acquisition shareholders of Sciprogen will be obligated to indemnify us against 80% of all losses suffered by us, including building construction costs, which amounted to approximately RMB7.0 million as of March 31, 2015, and potential demolition costs, which are estimated to be approximately RMB300,000.

The Directors are of the view that the abovementioned incident regarding the idle land will not have a material adverse impact on our business or results of operations for the following reasons:

- The Songshanhu Land was a piece of vacant land upon which a new facility is being constructed. Accordingly, we are not using the Songshanhu Land for any of our current business operations. In an unlikely event that the government reclaims the Songshanhu Land, it will not have any impact upon our business operation or revenues. In addition, the Directors believe that there are plenty of land parcels suitable for Sciprogen's new production facilities in Guangdong, and therefore it would not be difficult for Sciprogen to identify and acquire a new land parcel at a reasonable price if necessary.

- The pre-acquisition shareholders of Sciprogen are obligated to indemnify us against 80% of all losses suffered by us resulting from the Songshanhu Land's non-compliance issues, pursuant to the agreements under which we acquired Sciprogen.

HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

Health and Occupational Safety

We are subject to various PRC laws and regulations in respect of health and occupational safety. We have adopted and maintained a series of rules, standard operating procedures and measures to maintain a healthy and safe environment for our employees, including those required under the GMP certification. We construct and maintain all of our production facilities in accordance with the GMP certification. We carefully design our production facilities to ensure safe storage and handling of flammable or corrosive materials used in our manufacturing process, mainly including ethanol, acetonitrile, caustic soda, hydrochloric acid and liquefied petroleum gas. We require new employees to participate in safety training to familiarize themselves with the relevant safety rules and procedures. Additionally, we appoint qualified consulting firms to conduct on-site safety assessment and hazard identification, which help us enhance our overall health and safety management effectiveness. As of the Latest Practicable Date, 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 Protection

We are subject to national and local environmental laws and regulations of the PRC. During our manufacturing processes, we must comply with PRC laws and regulations concerning the discharge of air, water and solid waste as well as noise control. In addition, manufacturers engaging in any new construction project must prepare an 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. Please refer to the section headed "Regulations—PRC Laws and Regulations Relating to Environmental Protection" in this prospectus for details on PRC environmental laws and regulations we are subject to.

We have established detailed internal rules regarding environmental protection. We test effluent water to ensure compliance with national emission standards. Solid waste is sorted for proper disposal. Hazardous waste is sent to qualified third parties for treatment. When a new construction project is proposed, we conduct comprehensive analysis and testing on the environmental issues involved in the manufacturing processes. Our production team and in-house legal department are primarily responsible for ensuring our compliance with applicable environmental rules and regulations. During the Track Record Period, we did not incur any additional costs specifically attributable to environmental compliance. All our property, plant and equipment meet the standards required for compliance with applicable environmental rules and regulations, and we believe we have maintained good relationship with the communities surrounding our production facilities.

The Directors are of the view that Sciprogen's failure to obtain environmental impact assessment approvals and a pollutant discharge permit will not have a material adverse impact on our business or results of operations. Our PRC Legal Adviser has confirmed that, save for the above, during the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable laws and regulations relating to production safety and environmental requirements in all material respects.

INTERNAL CONTROLS

Because we were a public company listed on the NASDAQ Stock Market from 2007 to 2013, our management team has accumulated extensive experience in managing a public company, and we have established sound corporate governance and internal controls systems that satisfied the standards of U.S. securities regulators, including the requirements set by section 404 of the Sarbanes-Oxley Act of 2002, and a major stock exchange. We have also accumulated extensive experience in compliance with applicable anti-corruption and other laws and regulations.

We have engaged an internal control consultant (the "**Internal Control Consultant**") to perform certain agreed-upon procedures in connection with the internal control of the Company and our major operating subsidiaries and to report factual findings on our Group's entity-level controls and internal controls of various processes, including sales and account receivables, operating expenses, inventory and production management, asset management, human resources, investment management, insurance management, tax management and financial reporting. The work performed by the Internal Control Consultant was conducted in September 2014 and resulted in a number of findings and recommendations. We have taken corrective actions in response to the Internal Control Consultant's findings and recommendations. The Internal Control Consultant performed follow-up procedures on the Company's system of internal control with regard to those actions taken by the Company and reported further commentary in November 2014. After our acquisition of Sciprogen and Sirton in December 2014, the Internal Control Consultant performed additional procedures in connection with the internal control of Sciprogen and Sirton. In response to the Internal Control Consultant's findings

and recommendations, Sciprogen has taken corrective actions. The Internal Control Consultant performed follow-up procedures and reported further commentary in February 2015. As of the date of this prospectus, there is no material issue remaining in relation to the internal controls of our Group.

We have adopted internal procedures to ensure regulatory compliance in our business operations in China. Under these procedures, our management works closely with our external legal counsel to monitor the regulatory environment and developments in PRC laws and regulations to support our business operation and expansion.

RISK MANAGEMENT

We are dedicated to the establishment and maintenance of a robust internal control system. We have adopted and implemented risk management policies and corporate governance measures in various aspects of our business operations such as financial reporting, information risk management, legal compliance and intellectual property rights management and human resources management.

Operational Risk Management

Compliance with PRC laws and regulations is a major focus areas of our operational risk management. We have a dedicated legal team that is responsible for monitoring any changes in PRC laws and regulations and ensuring the ongoing compliance of our operations with PRC laws and regulations. Our legal team also works with our outside legal counsel to ensure that we have obtained and maintains all the necessary permits and licenses required for our operations. In situations where the relevant laws and regulations are not clear as to what action should or should not be taken, we take the conservative approach to avoid any potential compliance issues.

We have formally established a set of internal rules governing professional ethics. Our internal control department, as supervised by the audit committee of our Board, is in charge of enforcing our rules of ethics. Our internal control department consists of four dedicated employees and is headed by our internal control manager, who has been an internal control officer at our Company since 2007, after working over ten years at our financial department. Employees are encouraged to submit inquiries or report suspicious behaviors to members of the internal control department. Employees may also submit anonymous tips directly to the chairperson of the audit committee of our Board. Under these rules, our employees are prohibited from receiving or giving bribes or otherwise engaging in activities that violate applicable anti-corruption laws. Supplier payments must be made to the contracting party or its representatives in accordance with commercial customs, and may not be made to government officials or companies in which they have interest, unless permissible by law and approved by our internal control department. Employees may not provide money or gifts to employees of our customers or to our suppliers. Bonuses or special treatments to customers or suppliers are permissible only if they are de minimis and would not be deemed to be bribes or kickbacks, provided in a lawful and ethical manner or in accordance with customary business practice. Any payment in excess of RMB200 must be made by our Company or our subsidiaries to our suppliers or other third parties directly, and may not be made by our employees in their individual capacities, unless approved by our internal control department in advance. Our employees are required to sign a statement acknowledging they have read, and undertaking to abide by, our rules of ethics. Violation of these rules may result in penalties, including termination of employment.

We require all our distributors and third-party promoters to maintain valid GSP certificates and other licenses or permits required for distributing our products, which helps us to disqualify distributors and third-party promoters that may have engaged in improper conducts. Our agreements with distributors and third-party promoters generally contain provisions requiring each party not to engage in unlawful conducts in its sales and marketing activities. Distributors are responsible for monitoring the conducts of the sub-distributors they use. Moreover, we visit hospitals covered by our third-party promoters from time to time, typically two to three times a year, which helps us monitor their legal compliance during their promotion of our products. Our distributors and sub-distributors mainly perform logistics functions and do not engage in marketing activities. Therefore, we believe that the risks of corruption, bribery and other improper conduct by distributors and sub-distributors are minimal.

Our internal control department, which reports to the audit committee of our Board, regularly monitors compliance of applicable anti-corruption laws by our employees, distributors and third-party promoters. Our internal control department performs year-round random sampling of our business and financial records to verify that receipts submitted by our employees and KOLs are legitimate and eligible for reimbursement according to our internal rules, and that payments made by distributors and third-party promoters are consistent with their product orders. It monitors and investigates irregular fluctuations in order volumes and payment amounts that might indicate improper conduct by our employees and/or third parties. Our internal control department also monitors internal and external complaints regarding possible improper conducts by our employees, distributors or third-party promoters. It is required to report such complaints to our management, our audit committee or our Board within three business days. Furthermore, our internal control department periodically re-assesses our operational risks and updates our anti-corruption rules and measures accordingly. Under the authorization of our audit committee and our Board, our internal control department may carry out investigations in response to complaints and suspicious findings from its internal review. We require our financial department, human resources department and other relevant departments to cooperate with the internal control department during its investigations. When an investigation is completed, the internal control department is required to prepare a report to our management, our audit committee and our Board within three business days. Employees who are confirmed to have engaged in improper conduct will be subject to punishments including salary or bonus reduction, demotion and/or dismissal depending on the severity of the conduct. To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, there were no material breaches of our internal rules or PRC laws and regulations relating to the promotion and distribution of our pharmaceutical products by our employees, distributors, sub-distributors or third-party promoters, including the Pharmaceutical Administration Law of the PRC (《中華人民共和國藥品管理法》) and its implementation regulations, the Measures for the Administration of Pharmaceutical Operation Permit (《藥品經營許可證管理辦法》), the Administrative Measures for Certification of Good Supply Practices (《藥品經營質量管理規範認證管理辦法》), the Administrative Measures Governing the Supply Quality of Pharmaceutical Products (《藥品經營質量管理規範》), the Provisions on the Establishment of Adverse Records of Commercial Bribery 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》) and the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》).

Based on (1) our extensive experience in complying with anti-corruption laws and regulations, including applicable U.S. regulations when we were a NASDAQ-listed company, (2) our

comprehensive internal rules of professional ethics, (3) our regular internal review of compliance of anti-corruption laws, and (4) our good compliance record during the Track Record Period, the Directors and the Joint Sponsors are of the view that our Company's internal control measures on bribery, corruption and misconduct of our employees, distributors, third-party promoters and KOLs are sufficient and effective.

Financial Reporting Risk Management and Corporate Governance Measures

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. We provide ongoing trainings to our finance staff to ensure that these policies are well-observed and effectively implemented. As of December 31, 2014, our finance team consisted of 36 employees, and was headed by our executive vice president and chief financial officer, Mr. Tan Bo. Mr. Tan has extensive experience in the financial and pharmaceutical industries from previous work in corporate practice, private equity and equity research. Other senior members of our finance department are all experienced in finance and accounting.

We have established an audit committee of our Board, the primary duties of which are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board. The audit committee consists of three independent non-executive directors and its chairman has appropriate professional qualifications.

Our audit committee and senior management monitor the implementation of our risk management policies across the Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our operations.

This section is a summary of the key PRC laws and regulations relating to the business and operations carried out by our PRC subsidiaries, as well as regulations on product liability and product safety in other countries where we intend to significantly expand our business.

As confirmed by our PRC Legal Advisor, we were in compliance with all PRC laws and regulations applicable to our Company and our business in all material respects during the Track Record Period.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Enterprises Establishment

The Company Law of the PRC (《中華人民共和國公司法》) promulgated by the Standing Committee of the National People's Congress (the "**NPC**") on December 29, 1993, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013, governs the establishment, operation and management of corporate entities in the PRC. There are two types of companies in the PRC, namely limited liability companies and joint stock limited companies.

The Law of the PRC on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》) (the "**WFOE Law**") promulgated by the NPC and effective on April 12, 1986, and subsequently amended by the Standing Committee of the NPC on October 31, 2000, and its Implementation Rules approved on October 28, 1990 by the State Council and promulgated by the Ministry of Foreign Economic Relations and Trade (which now has changed to the MOFCOM on December 12, 1990 and subsequently amended on April 12, 2001, governs the establishment, operation and management of wholly foreign-owned enterprises ("**WFOEs**").

Foreign-invested enterprises may also invest and establish subsidiaries in the PRC, which should comply with the Company Law of the PRC, the Interim Provisions on Investment by Foreign-Invested Enterprises in China (《關於外商投資企業境內投資的暫行規定》) promulgated by the MOFCOM and the SAIC on July 25, 2000 and other relevant laws and regulations.

Foreign Investment Industrial Guidance Catalogue

The Foreign Investment Industrial Guidance Catalogue (2015 Version) (《外商投資產業指導目錄(2015年版)》) (the "**Foreign Investment Catalogue**"), jointly promulgated by the NDRC and the MOFCOM on March 10, 2015, became effective on April 10, 2015 and replaced the previous version. The Foreign Investment Catalogue divide foreign investments in the pharmaceutical industry into four categories: encouraged, permitted, restricted or prohibited. Encouraged foreign investments are eligible to receive certain benefits and incentives from the government, which may change from time to time; permitted foreign investments are permitted without restrictions, but are not eligible for benefits or incentives from the government; restricted foreign investments are permitted but subject to certain restrictions; and prohibited foreign investments are not allowed.

Shenyang Sunshine is engaged in the business of manufacturing EPIAO, TPIAO, Intefen and Inleusin. Sciprogen is engaged in the business of manufacturing SEPO and Sparin. As subsidiaries of overseas holding companies, both Shenyang Sunshine and Sciprogen are deemed as foreign-invested companies under PRC law. Under the Foreign Investment Catalogue, foreign investments in the businesses in which Shenyang Sunshine and Sciprogen are engaged are encouraged and permitted, respectively.

Liaoning Sunshine is engaged in the business of trading pharmaceutical products. Liaoning Sunshine was not subject to the Foreign Investment Catalogue until October 2014 when it became a wholly-owned subsidiary of Shenyang Sunshine, a foreign-invested enterprise. Under the Foreign Investment Catalogue, foreign investments in the business in which Liaoning Sunshine is engaged has been permitted since January 30, 2012.

PRC REGULATORY FRAMEWORK IN RELATION TO THE PHARMACEUTICAL INDUSTRY

China's pharmaceutical industry is highly regulated by the PRC government. The Pharmaceutical Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》) (the "**Pharmaceutical Administration Law**"), as effective on July 1, 1985 and amended on February 28, 2001 and December 28, 2013, provides the basic legal framework for the administration of the production and operation of pharmaceutical products in China and covers the manufacturing, distributing, packaging, pricing and advertising of pharmaceutical products. Its implementation regulations set out detailed implementation rules with respect to the administration of pharmaceutical products in China.

As a PRC-based pharmaceutical company, we are subject to regulation and oversight by various government authorities in China. The primary regulatory authorities are the CFDA and the NDRC, including their provincial and local branches. Other regulatory authorities include the National Health and Family Planning Commission of the PRC (the "**NHFPC**", formerly known as Ministry of Health ("**MOH**")) and the MOFCOM.

The CFDA regulates and supervises the research, production, marketing, distribution and usage of pharmaceutical products in China. CFDA's provincial and local branches are responsible for the supervision and administration of pharmaceutical products within their respective administrative regions. Almost every step of our production and sale activities is subject to the regulation by the CFDA and its branches.

The NDRC is responsible for high-level supervision and management of the healthcare industry, including development planning, technological upgrade, investment projects, and medical institution operations. The NDRC also regulates the retail price of medicines, including setting national unified retail prices or maximum retail prices for certain medicines listed in the National Medical Insurance Catalogue or for medicines with a monopoly status in production or distribution.

The NHFPC performs a variety of regulatory functions in drug administration, including carrying out the healthcare system reform, establishing and implementing the national essential drugs system, issuing the National Essential Drug List, proposing pricing policies for the National Essential Drugs and supervising medical institutions.The MOFCOM regulates the wholesale of pharmaceutical products in China, and makes plans and policies for the development, restructuring and reform of the pharmaceutical wholesale and distribution industry.

PRC LAWS AND REGULATIONS RELATING TO THE MANUFACTURE OF PHARMACEUTICAL PRODUCTS

Manufacturers of pharmaceutical products in the PRC must obtain a variety of permits, licences and registrations of pharmaceutical products before commencing operations and production. These include a business licence, a pharmaceutical production licence, a GMP certification, and approval and registration documents in relation to the pharmaceutical products to be produced.

Pharmaceutical Production Licence and Business Licence

According to the Pharmaceutical Administration Law, a manufacturer of pharmaceutical products must obtain a pharmaceutical production licence from one of CFDA's provincial level branches in order to commence production of pharmaceuticals. Prior to granting such licence, the relevant government authority will inspect the manufacturer's production facilities, and decide whether its sanitary conditions, quality assurance system, management structure and equipment have met 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, a pharmaceutical production licence is valid for five years and may be renewed at least six months prior to its expiration date according to the relevant rules of the drug supervisory department of the State Council.

In addition, before commencing business, a pharmaceutical manufacturer must obtain a business licence from the administration for industry and commerce, and the business scope of such business licence must include pharmaceutical manufacturing.

GOOD MANUFACTURING PRACTICES OR GMP

A manufacturer must obtain GMP certification to produce pharmaceutical products and pharmaceutical materials in China. According to the Implementation Regulations of the Pharmaceutical Administration Law (《中華人民共和國藥品管理法實施條例》), any newly-established manufacturer of pharmaceutical products or manufacturer with newly-built pharmaceutical manufacturing facilities or facilities built for newly-added dosage shall, within 30 days from the date it obtains the approval documents for manufacturing, apply to the CFDA's provincial level branches for GMP certification. 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**"), effective on March 1, 2011, 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 includes: institution and staff qualifications, production premises, facilities and equipment, hygiene conditions, production

management, quality controls, product operation, maintenance of sales records and manner of handling customer complaints and adverse feedbacks. 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 THE CFDA

According to Pharmaceutical Administration Law, a manufacturer of pharmaceutical products is subject to periodic inspection and safety monitoring by the CFDA to assess its compliance with regulatory requirements. The CFDA can take a variety of enforcement actions to enforce its regulations and rules, such as warnings, fines and injunctions, orders to rectify, confiscation of unlawful products, revocation of licences, partial suspension or complete shutdown of production and referral to the relevant authority for criminal investigation.

PRC LAWS AND REGULATIONS RELATING TO THE REGISTRATION AND CLASSIFICATION OF PHARMACEUTICAL PRODUCTS

Several modifications and amendments have made to the laws and regulations relating to the registration and classification of pharmaceutical products.

On July 1, 1985, the MOH promulgated and implemented the Measures for New Drug Approval (《新藥審批辦法》), which set out the standards for the classification of new traditional Chinese drugs and western drugs, excluding new biological products. On the same date, the MOH promulgated and implemented the Measures for New Biological Product Approval (《新生物製品審批辦法》), which set out the standards for the classification of new biological products.

In May 1999, the CFDA amended the Measures for New Drug Approval and the Measures for New Biological Product Approval.

On October 30, 2002, the CFDA promulgated the Measures for the Administration of Drug Registration (Trial) (《藥品註冊管理辦法(試行)》), which took effect on December 1, 2002 and superseded the Measures for New Drug Approval and the Measures for New Biological Product Approval.

On February 28, 2005, the CFDA promulgated the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), which took effect on May 1, 2005 and superseded the Measures for the Administration of Drug Registration (Trial).

The Measures for the Administration of Drug Registration was subsequently amended. The amended version was promulgated on July 10, 2007 and implemented on October 1, 2007 by the CFDA, and has remained in effect to date.

In accordance with the Exhibit II of the Measures for the Administration of Drug Registration, new chemical drugs are divided into six classes as follows:

1. Drugs that have not been launched in China or abroad;

2. Drugs with a new method of administration and which have not been launched in China or abroad;

3. Drugs that have been launched abroad but not in China;

4. Drugs or active pharmaceutical ingredients containing an acid radical, base or metallic element that is different from a launched product but with the same pharmacological effects as the launched product;

5. Drugs with a new format but the same method of administration as a product already launched in China; and

6. Drugs or active pharmaceutical ingredients with established national standards.

In accordance with the Exhibit III of the Measures for the Administration of Drug Registration, biological products include biological products for therapeutic uses and biological products for preventive uses. Biological products for therapeutic uses are divided into 15 classes as follows:

1. Biological products that have not been launched in China or abroad;

2. Monoclonal antibody;

3. Gene therapy, somatic cell therapy and their products;

4. Allergen products;

5. Biologically active multi-component products extracted from the tissues or bodily fluids of humans or animals, or prepared by fermentation;

6. New combination products that are made from biological products that have already been launched;

7. Biological products that have been launched abroad but not in China;

8. Microecological products containing previously unapproved strains;

9. Products that have not been launched in China or abroad and are not identical to previously launched products (with differences such as mutations, deficiency of the amino acid residues; creation, elimination of or post-translational modifications due to different expression systems; and chemical modifications on the products);

10. Products that have a different preparation method from previously launched products (such as using different expression systems or host cells);

11. Products that are first prepared using recombinant DNA technologies (for example, replacing synthetic extraction or fermentation technologies);

12. Products with the method of administration changed from non-injection to injection or from topical administration to systemic administration and which have not been launched in China or abroad;

13. Biological products with a new format but the same method of administration as a previously launched product;

14. Biological products with a new method of administration and not classified into one of the above classes; and

15. Biological products with established national standards.

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 assessment 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.

The pre-clinical research for drug registration application includes synthetic processes, extraction methods, physical and chemical properties, purity, selection of dosage forms, screening of formula, preparation processes, testing methods, quality specifications, stability, pharmacology, toxicology and animal pharmacokinetics. For biological products, it also includes study on the source, quality specifications, storage conditions, biological characteristics and genetic stability of the starting materials such as bacterial and viral seeds/strains, cell lines, bio-tissues, and immunological study, etc.

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

After completion of the clinical trials, the applicant shall submit an application form and supporting materials to the CFDA at the provincial level and the National Institute for the Control of Pharmaceutical and Biological Products. The 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, the CFDA at the provincial level and the drug inspection bureau will report to the CFDA, which will conduct a final assessment to consider whether to grant an approval for registration of the new drug. If approved, the applicant will be granted a new drug certificate, and the applicant may also be granted a drug approval number if it has obtained a pharmaceutical production licence and may commence mass production of the new drug.

To protect public health, the 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, quality, stability, therapeutic effect and adverse reactions etc. of the new drug and report annually to the CFDA at the provincial level. The CFDA shall not approve other manufacturers to produce, change dosage form of or import the drug during the monitoring period.

The State encourages the research and development of new drugs and adopts a special review and approval process with respect to innovative drugs, new drugs for serious and life-threatening diseases to address unmet medical needs. 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 will be given 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 the CFDA, and will have access to enhanced communication channels with the CFDA.

Registration of Generic Drugs

In accordance with the Measures for Drug Registration, applications for generic drugs refer to applications for producing drugs that have been approved by the CFDA to be marketed in China and have existing national standards 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. Applications for biological products are required to undergo the process for new drug application.

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 the 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 the CFDA. After the preliminary review, the CFDA at the provincial level and the drug inspection bureau will then submit the relevant materials and inspection report to the 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 the CFDA. The CFDA shall issue a drug approval number or a disapproval notice based on the technical review opinions.

Application for Non-prescription Drugs

In accordance with the Measures for Drug Registration, for any of the following circumstances: (1) alteration of the dosage form of a non-prescription drug determined by the CFDA without changing the indications or functions, dosage and route of administration; or (2) formulation of a new fixed dose combination using active ingredients of non-prescription drugs determined by the CFDA, the applicant may apply in accordance with the requirement of non-prescription drug, and indicate the item of non-prescription drug in the "**additional application items**" of the Application Form for Drug Registration. If relevant requirements for non-prescription drugs apply, the drug shall be reviewed and approved, and regulated as a non-prescription drug; if relevant requirements for non-prescription drugs do not apply, it shall be reviewed and approved, and regulated as a prescription drug.

Re-registration

According to the Measures for Drug Registration, an approval number for medicine issued by the CFDA is valid for five years and the applicant shall apply to the relevant CFDA for renewal six months prior to its expiration date.

PRC LAWS AND REGULATIONS RELATING TO DISTRIBUTION OF PHARMACEUTICAL PRODUCTS

A distributor of pharmaceutical products, must obtain a variety of permits and licences before commencing its operations. These include a business licence, a pharmaceutical operation permit and a GSP certificate.

Pharmaceutical Operation Permit and Business Licence

The establishment of a wholesale pharmaceutical distribution company requires the approval of the CFDA at the provincial level, while the establishment of a retail pharmaceutical distribution company requires the approval of the CFDA above the county 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》), effective on April 1, 2004, 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 original authority granting the permit.

In addition, before commencing business, a wholesale or retail pharmaceutical distribution company must also obtain a business licence from the competent administration for industry and commerce, and the business scope of such business licence must include pharmaceutical operations.

GOOD SUPPLY PRACTICES OR GSP

Each retail or wholesale operator of pharmaceutical products is required to obtain a GSP certificate from the CFDA at the provincial level. 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》), promulgated and took effect on April 24, 2003, and Administrative Measures Governing the Supply Quality of Pharmaceutical Products (《藥品經營質量管理規範》), effective 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 CFDA at the provincial level.

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

Medical production and operation enterprises involved in criminal, investigation or administrative procedure for commercial bribery shall be listed in the Adverse Records of Commercial Bribery by provincial health and family planning administrative department. Pursuant to the Provisions on the Establishment of Adverse Records of Commercial Bribery 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 products shall not be purchased by public medical institutions, and medical and health institutions receiving financial subsidies in local province for two years since publication 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 Bribery more than once in five years, their products shall not be purchased by public medical institutions, and medical and health institutions receiving financial subsidies nationwide for two years since publication of the record.

Pursuant to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the "**Anti-Unfair Competition Law**"), which was promulgated on September 2, 1993 and became effective on December 1, 1993, a business operator may not use bribery to buy or sell products. A business operator may offer discounts or commissions to other parties on explicit terms. Such discounts and commissions, if offered, must be accurately recorded by each party in their respective accounts. The Anti-Unfair Competition Law also requires that bidders in a tendering process shall not collude with each other to raise or reduce bids.

Pursuant to the Notice on Issuing the Working Plans of the Ministry of Health and the State Administration of Traditional Chinese Medicine on Establishing and Improving the Long-term Mechanism for the Prevention and Control of Commercial Bribery in Medical and Pharmaceutical

Sales (關於印發《衛生部、國家中醫藥管理局關於建立健全防控醫藥購銷領域商業賄賂長效機制的工作方案》的通知), which was issued on December 7, 2006, government branches should formulate behavioral guidelines for medical and pharmaceutical sales representatives, and monitor and regulate the behaviors of these sales representatives.

PRC LAWS AND REGULATIONS RELATING TO THE PROTECTION OF PHARMACEUTICAL PRODUCTS

Protection under Patent Law

Pharmaceutical inventions became patentable after the PRC Patent Law (《中華人民共和國專利法》) (effective on April 1, 1985 and amended in 1992, 2000 and 2008) was amended on September 4, 1992 and enforced on January 1, 1993. Patents are divided into three categories: inventions, utility-models and designs. 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. The term "**design**" refers to any new design of a product's shape, pattern or a combination thereof, as well as the combination of the colour and the shape or pattern of a product, which is aesthetically fit for industrial application.

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 inventions are effective for 20 years from the initial date the patent application was filed. Patents relating to utility-models and designs are effective for ten years from the initial date the patent application was filed. Any persons and entities using the patent in the absence of authorisation from the patent owner or conducting other activities which infringe upon patent rights will be held liable for compensation to the patent owner, subject to fines charged by relevant administrative authorities and may include criminal liabilities.

Protection under Trademark Law

The PRC Trademark Law (《中華人民共和國商標法》) was promulgated in 1982 and enforced on March 1, 1983 (later amended in 1993, 2001 and 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 2, 2002 and effective on September 15, 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 of the SAIC is responsible for the registration and administration of trademarks throughout the country. The period of validity of a registered trademark is ten years from the date of registration; renewal is allowed thereafter and the period of validity of each renewal of registration is ten years. The SAIC 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 RESTRICTIONS ON ADVERTISING OF PHARMACEUTICAL PRODUCTS

According to Pharmaceutical Administration Law, the contents of pharmaceutical advertisement must be true, legitimate, based on the directions for use as approved by the relevant CFDA and free

from misrepresentation. Advertisements of pharmaceuticals shall not contain any unscientific assertion or guarantee on effects, and shall not be endorsed using the names and images of government bodies, pharmaceutical scientific research units, academic organizations, experts, scholars, physicians and patients. The advertisements of non-pharmaceuticals shall not be included in the advertisements of pharmaceuticals.

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

In particular, an application for a drug advertising approval code shall be filed with the CFDA at the provincial level of the place where the manufacturing enterprise of the drug is located, and such authority shall determine whether to grant the advertising approval code. An application for the advertising approval code for imported drugs shall be filed with the CFDA at the provincial level of the place where the drug import agent is located. In case the drug is advertised other than the place where the manufacturing enterprise of the drug or the import agent is located, the enterprise shall file with the CFDA at the provincial level of the place where the drug is proposed to be advertised before the advertisement. In the event that the relevant CFDA at the provincial level considers that the contents of the advertisement do not comply with the drug advertisement regulations, the advertisements shall be sent to the original granting authority for handling.

PRC LAWS AND REGULATIONS RELATING TO PACKAGING AND NAME OF PHARMACEUTICAL PRODUCTS

The Packaging

According to Pharmaceutical Administration Law, the Regulations of Implementation of the Law of the People's Republic of China on the Administration of Pharmaceuticals and the Measures for The Administration of Pharmaceutical Packaging (《藥品包裝管理辦法》) effective on September 1, 1988, immediate packaging materials and containers shall meet the requirements for medical use and the standards for ensuring human health and safety, and shall be approved by the CFDA for registration. The CFDA shall promulgate the registered immediate packaging materials and containers catalog and implement registration management to the products of the catalog. Pharmaceutical packaging must comply with the provisions of the national standard and professional standard. If there is no existing standards, the enterprise can formulate its own standard after obtaining the approval of the CFDA at the provincial level or local bureau of standards. The enterprise shall reapply if it needs to change the packaging standard. Drugs without packaging must not be sold in PRC (except for drugs supplied to the army). The application for changing the packaging would constitute part of a supplemental application.

Pharmaceutical Directions and Labels

Pursuant to the Administrative Provisions on Pharmaceutical Directions and Labels (《藥品說明書和標簽管理規定》) effective on June 1, 2006, pharmaceutical directions and labels shall be subject to the ratification of the CFDA. The labels of a pharmaceutical shall be based on its directions, and the contents thereof shall not exceed the scope of the directions, and may not be printed with any word or mark that implies the curative effect, misleads the usage or inappropriately advertises the product. The package of a pharmaceutical must be printed or affixed with the label according to the provisions, and shall not carry other literal or video materials or other information that advertises the product or the enterprise. The smallest packages produced by a pharmaceutical manufacturing enterprise for sale on the market must be attached with directions. The pharmaceutical directions, the interior labels and exterior labels as well as names shall comply with the relevant provisions.

Pharmaceutical Name

According to the Notice on the Supplemental Provisions Concerning the Registration Management of Pharmaceutical Products promulgated by CFDA（《國家食品藥品監督管理局印發關於藥品註冊管理的補充規定的通知》） on December 23, 2003, the brand name of pharmaceutical products is the brand name the new drug intends to use, which shall be applied by the pharmaceutical manufacturer together with the application for new drug registration. There are different time limits on adding the brand name to the new drug depending on whether the new drug has an inspection period or not.

Pursuant to the Pharmaceutical Administration Law, the names of the pharmaceuticals listed in the State pharmaceutical standards are the generic names of the pharmaceuticals. Those names that have become the generic names of pharmaceuticals shall not be used as trademarks of pharmaceuticals. The Pharmaceutical products use generic names, the same prescription or the same type of pharmaceutical products uses the same name. The generic names must be used on the pharmaceutical directions and labels

The Pharmacopoeia of the People's Republic of China（《中華人民共和國藥典》）(the prevailing version is the 2010 third supplemental edition effective on February 1, 2015) and the pharmaceutical standards promulgated by the CFDA shall be the State pharmaceutical standards. The generic names of pharmaceutical products shall be the names listed in the Pharmacopoeia of the People's Republic of China. The Pharmacopoeia Committee organized by the CFDA shall be responsible for the formulation and revision of the State pharmaceutical standards.

PRC LAWS AND REGULATIONS RELATING TO THE EXPORT OF PHARMACEUTICAL PRODUCTS

According to the Approval by CFDA on Certain Issues of Pharmaceutical Products Export (《國家藥品監督管理局關於藥品出口有關問題的批覆》), promulgated and effective on September 20, 1999, whether the enterprise can obtain the right to operate import and export business and the qualification shall be approved by relevant foreign trade authority. The pharmaceutical products export shall mainly comply with the requirements of the importing country, so long as there are no

special requirement by the importation country，the CFDA support the export in principal based on the national policy of encouraging exports. However, under the Pharmaceutical Administration Law，the export licenses issued by the relevant CFDA are required for the export of narcotics and psychotropic substances falling within the restricted scope prescribed by the State.

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

Reimbursement under the National Medical Insurance Programme

Pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Programme (《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 which took effect on the same day, all employers in urban cities are required to enroll their employees in the basic medical insurance programme 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 which took effect on the same day, under which urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance. Pursuant to the Social Insurance Law of Peoples' Republic of China (《中華人民共和國社會保險法》) which was promulgated by the Standing Committee of the NPC on October 28, 2010 and became effective on July 1, 2011, all employees are required to enroll in the basic medical insurance programme and the insurance premium is jointly contributed by the employers and employees as required by the state.

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》) ("**Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products**"), jointly issued by several authorities including the Ministry of Labour and Social Security and the Ministry of Finance of the PRC ("**MOF**"), 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 (the prevailing version) of the PRC;
- it meets the standards promulgated by the CFDA; and
- if imported, it is approved by the CFDA for import.

According to Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products, the PRC Ministry of Labour and Social Security, together with other government authorities (including NDRC, MOFCOM, MOF, MOH, CFDA, and State Administration of Traditional Chinese Medicine of the PRC), 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 in accordance with the regulations in respect of basic medical insurance. Patients purchasing medicines included in Part B of the Medical Insurance Catalogue are required to pay a certain percentage of the purchase price and the remainder of the purchase price shall be reimbursed in accordance with the regulations in respect of basic medical insurance. The percentage of reimbursement for Part B medicines is stipulated by local authorities and in result may differs from region to region in the PRC.

National Essential Drug List

On August 18, 2009, MOH and eight other ministries and commissions in the PRC issued the Provisional Measures on the Administration of the National Essential Drug List (《國家基本藥物目錄管理辦法(暫行)》) (the "**Measures on Essential Drugs**") which became effective on the same day, and the Guidelines on the Implementation of the National List of Essential Drugs System (《關於建立國家基本藥物制度的實施意見》) (the "**Essential Drugs Guidelines**"), which aim to promote essential medicines sold to consumers at fair prices in the PRC and ensure that the general public in the PRC has equal access to the drugs contained in the National Essential Drug List. MOH promulgated the National Essential Drug List (《國家基本藥物目錄》) on March 13, 2013 which became effective on May 1, 2013.

According to these regulations, basic healthcare institutions funded by government, which primarily include county-level hospitals, county-level Chinese medicine hospitals, rural clinics and community clinics, shall store up and use drugs listed in National Essential Drug List. The drugs listed in National Essential Drug List shall be purchased by centralised tender process and shall be subject to the price control by NDRC. Remedial drugs in the National Essential Drug List are all listed in the Medical Insurance Catalogue and the entire amount of the purchase price of such drugs is entitled to reimbursement.

Price Controls

According to the Pharmaceutical Administration Law, the Regulations of Implementation of the Law of the People's Republic of China on the Administration of Pharmaceuticals, the pharmaceutical products are subject to fixed or directive pricing system or to be adjusted by the market. Those pharmaceutical products included in the Medical Insurance Catalogues and the National Essential Drug List 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 maximum retail price or deviate from the fixed retail price set by the government. The retail prices of pharmaceutical products that are subject to price controls are administered by the NDRC and provincial and regional price control authorities. From time to time, the NDRC publishes and updates a list of pharmaceutical products that are subject to price controls. According to the

Notice Regarding Measures on Government Pricing of Pharmaceutical Products Issued by NDRC (《國家計委關於印發藥品政府定價辦法的通知》) effective on December 25, 2000, Maximum retail prices for pharmaceutical products shall be determined based on a variety of factors, including production costs, the profit margins that the relevant government authorities deem reasonable, the product's type, and quality, as well as the prices of substitute pharmaceutical products. The NDRC promulgated the Catalogue of Pharmaceutical Products with Price Fixed by NDRC (《國家發展和改革委員會關於印發<國家發展改革委定價藥品目錄>的通知》) which took effect on August 1, 2005, under which the NDRC directly regulates the pricing of all prescription medicines on the Medical Insurance Catalogues and all medicines on the National Essential Drug List, 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, the CFDA, the MOFCOM, the MOF and Ministry of Labour and Social Security on May 19, 2006 and effective on the same day, 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 increasing 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, which came into effect on February 1, 2013. The lists attached to the notice prescribed the maximum retail prices 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 maximum retail prices. The price administration at the provincial level is authorised to determine maximum retail price in its administration region for the drugs that are not subject to price control by the NDRC, and the maximum retail prices 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.

On February 9, 2015, the General Office of the State Council issued the Guiding Opinion on Enhancing Consolidated Procurement of Pharmaceutical Products 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》). The opinion encourages public hospitals to consolidate their demands and to play a more active role in the procurement of pharmaceutical products. Hospitals are encouraged to directly settle the prices of pharmaceutical products with manufacturers. Consolidated procurement of pharmaceutical products should facilitate hospital

reform, reduce patient costs, prevent corrupt conducts, promote fair competition and induce the healthy growth of the pharmaceutical industry. According to the opinion, provincial tendering processes will continue to be used for the pricing of essential drugs and generic drugs with significant demands, and transparent multi-party price negotiation will be used for some patented drugs and exclusive drugs.

On May 4, 2015, the NDRC, the NHFPC, the MOHRSS, the Ministry of Industry and Information Technology of the PRC, the MOF, the MOFCOM and the CFDA issued the Opinion on Furthering Pharmaceutical Price Reform (《推進藥品價格改革的意見》) (the "**Price Reform Opinion**") and the Notice on Issuing the Opinion on Furthering Pharmaceutical Price Reform (《關於印發推進藥品價格改革意見的通知》) (the "**Price Reform Notice**"). Pursuant to the Price Reform Notice, government price controls on pharmaceutical products (other than narcotic drugs and certain psychiatric drugs) will be lifted on June 1, 2015. According to the Price Reform Opinion, after price controls are lifted, prices of pharmaceutical products will be mainly determined by market competition. Instead of direct price controls, the government will regulate prices mainly by establishing a consolidated procurement mechanism, revising medical insurance reimbursement standards and strengthening regulation of medical and pricing practices.

PRC LAWS AND REGULATIONS RELATING TO LABOUR PROTECTION

Under the Labour Law of the PRC (《中華人民共和國勞動法》) , which was promulgated by the Standing Committee of the NPC on July 5, 1994 and became effective on January 1, 1995 and subsequently amended on August 27, 2009, the PRC Labour Contract Law (《中華人民共和國勞動合同法》) , which was promulgated by the Standing Committee of the NPC 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 Labour 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, labor contracts in written form shall be executed to establish labor relationships between employers and employees. Wages cannot be lower than local minimum wage. 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 labour, to truthfully inform prospective employees of the job description, working conditions, location, occupational hazards and status of safe production as well as remuneration and other conditions as requested by the Labour 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》) promulgated on June 29, 2002 and effective on November 1, 2002 and amended on August 31, 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.

PRC LAWS AND REGULATIONS RELATING TO SOCIAL INSURANCE AND HOUSING PROVIDENT FUNDS

Pursuant to applicable PRC laws, rules and regulations, including the Social Insurance Law of People's Republic of China (《中華人民共和國社會保險法》) which was promulgated by the Standing Committee of the NPC 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, 1999, the Interim Measures concerning the Maternity Insurance (《企業職工生育保險試行辦法》) which was promulgated by the PRC Ministry of Labour and Social Security on December 14, 1994 and became effective on January 1, 1995, 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, the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) which was promulgated by the State Council and become effective on April 3, 1999 and amended on March 24, 2002, 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, maternity insurance, and housing provident funds. Employers who fail to comply with the above may be ordered by relevant authorities to rectify and subject to fines and penalties.

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 26 December 1989 and amended on April 24, 2014 and effective on January 1, 2015, the environmental protection department of the State Council is in charge of promulgating national standards for environmental quality. The provincial governments and the local governments in autonomous regions and municipalities may also promulgate local standards for environmental quality on matters not specified under national standards and the local governments may promulgate local standards for environmental quality which is stricter than the national standards with respect to the matters already specified under national standards. 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 effected on September 1, 2003, manufacturers must prepare environmental impact study report setting forth the impacts the proposed construction project may have on the environment and measures to prevent or mitigate the impacts 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 Standing Committee of the NPC and effected on September 1, 2000, the environmental protection authorities above the county level are in charge of supervising and managing the 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 within 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 Standing Committee of the NPC on May 11, 1984 and effected on November 1, 1984 and amended on May 15, 1996 and 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 waste 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 effected 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 shall, in accordance with the national standards for acoustic environmental quality, divide their respective administrative regions into different zones for application of different standards for acoustic environmental quality and exercise control accordingly. Manufacturers releasing noise exceeding 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 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 the products and earnings from such sales, the revocation of business licences 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 Standing Committee of the NPC 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.

LAWS AND REGULATIONS RELATING TO PRODUCT LIABILITY AND PRODUCT SAFETY IN SELECTED JURISDICTIONS OUTSIDE CHINA

European Union

Two directives of the European Parliament govern the field of product liability and product safety: Council Directive 85/374/EEC of July 25, 1985, on the approximation of the laws, regulations, and administrative provisions of the Member States concerning liability for defective products (the "**PLD**") and Directive 2001/95/EC of the European Parliament and of the Council of December 3, 2001, on general product safety (the "**GPSD**"). In European Community law, a directive is a legislative instrument that is binding on the Member States but leaves them with freedom to determine the form and methods for its implementation.

The PLD establishes a strict liability scheme for producers of defective products. As defined in the PLD, producers include manufacturers, importers, suppliers (if the producers or importers cannot be identified) and any person who, by putting his name, trademark, or other distinguishing feature on a product, presents himself as its producer. To trigger strict liability under the PLD, the injured person must demonstrate (1) damage; (2) defect in the product; and (3) a causal relationship between the defect and the damage. When two or more persons are found liable for the same damage, they have joint and several liability.

Under the GPSD, producers should only put safe products on the market, and should provide consumers with all relevant information necessary to assess the risks inherent in a product. Producers subject to the GPSD include manufacturers established in the European Union, representatives of manufacturers or importers if the manufacturers are not established in the European Union, and other professionals in the supply chain insofar as their activities may affect product safety.

Thailand

In Thailand, the key pieces of legislation dealing with product liability are the Liability for Damages Arising from Unsafe Product Act (2008) (the "**Product Liability Act**") and the Consumer Cases Act (2008).

Product Liability Act imposes strict liability on business operators. Business operators are held jointly liable to injured parties who have suffered damage from unsafe products which have been sold, distributed to, dispensed or given to consumers by the business operators. As defined in the Product Liability Act, business operators include manufacturers, importers, sellers and persons who use a name, trademark, trade name, mark or statement that would lead to the belief that they are the manufacturer or importer of the product. In order for business operators to be liable under the Product Liability Act, the injured party must prove that (1) they sustained actual damage from the relevant product and (2) the use and storage of the product was done in the normal manner.

The Consumer Cases Act (2008) is intended to give consumers access to cheaper, simpler and swifter legal proceedings. Under the Consumer Cases Act (2008), the Consumer Protection Board is entitled to file a law suit for damages on behalf of an injured party. If the Consumer Protection Board takes up a case, it will bear the cost of litigation, which reduces the burden for persons of limited financial means.

PRC LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

Under the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》) (the "**EIT Law**") and its Implementation Rules (《中華人民共和國企業所得税法實施條例》) promulgated by the State Council on December 6, 2007 and effective as of January 1, 2008, the tax rate for both domestic-funded enterprises and foreign-invested enterprises is 25%, and a 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, core intellectual property rights and 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 to the sales revenues is not lower than the prescribed proportion; (3) the proportion of the income from high and new technology products (services) to the total income of the enterprise is not lower than the prescribed proportion; (4) the proportion of technicians to the total number of staff members of the enterprise is not lower than the prescribed proportion; and (5) other conditions as stipulated in the measures for the determination of high and new technology enterprises. According to the Notice of the Ministry of Science and Technology, MOF and State Administration of Taxation ("**SAT**") on Issuing the Administrative Measures for Determination of High and New Tech Enterprises (《科學技術部、財政部、國家税務總局關於印發<高新技術企業認定管理辦法>的通知》) promulgated on April 14, 2008, high and new tech enterprise qualifications shall be valid for a period of three years from 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.

Under the EIT Law promulgated by the Standing Committee of the NPC on March 16, 2007 and effective as of January 1, 2008, enterprises are classified as either "**resident enterprises**" or "**non-resident enterprises**". Enterprises established outside the PRC whose "**de facto management bodies**" are located in the PRC are considered "**resident enterprises**" and are subject to the uniform 25% EIT rate on their global income. According to the implementation rules of the EIT Law, a "**de facto management body**" refers to a managing body that exercises, in substance, overall management and control over the manufacture and business, personnel, accounting and assets of an enterprise. However dividends from resident enterprises to their investors that are treated as resident enterprises, are exempted from withholding tax.

The EIT Law provides that a "**non-resident enterprise**" is an entity established under foreign law whose "**de facto management bodies**" are not within the PRC but have an establishment or place of business in the PRC, or do not have an establishment or place of business in the PRC but have income sourced within the PRC. The implementation rules of EIT Law provide that after January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-resident enterprise investors that do not have an establishment or place of business in the PRC, or have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. Such withholding tax rate may be reduced to 5% according to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income, or the Double Tax Avoidance Arrangement, if a Hong Kong resident enterprise is determined by the relevant PRC tax authority to have satisfied the relevant conditions and requirements under the Double Tax Avoidance Arrangement and other applicable laws.

Pursuant to the Announcement on Certain Issues Concerning Enterprise Income Taxes Related to Indirect Transfer of Properties by a Non-resident Enterprise (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) promulgated and came into effect on February 3, 2015 by the SAT ("**Circular 7**"), an indirect transfer of properties such as an equity interest in a PRC resident enterprise ("**PRC Taxable Properties**") by a non-resident enterprise through an arrangement without a reasonable commercial purpose to evade EIT shall be re-defined as a direct transfer of PRC Taxable Properties in accordance with Article 47 of the EIT Law, and proceeds from such transfer shall be subject to EIT in China in accordance with the PRC tax laws. PRC Taxable Properties in this announcement include properties of a PRC entity or establishment located in China, real estate in China and an equity investment in a PRC resident enterprise, that are directly held by a non-resident enterprise. An indirect transfer of PRC Taxable Properties refers to a transaction resulting in an identical or substantially similar consequence to that resulting from a direct transfer of the PRC Taxable Properties involving a transfer by a non-resident enterprise of an equity interest and other similar interests ("**Equity Interest**") in an overseas enterprise that directly or indirectly holds the PRC Taxable Properties, excluding the PRC resident enterprises registered overseas (the "**Overseas Enterprises**"). Such indirect transfer includes a change in shareholders of the Overseas Enterprises as a result of reorganization of a non-resident enterprise and a non-resident enterprise that indirectly transfers the PRC Taxable Properties is a transferor of the Equity Interest.

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 on December 18, 2008 and effective on January 1, 2009 and subsequently amended on October 28, 2011, unless stated otherwise, tax payers providing taxable services in 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 (《中華人民共和國增值税暫行條例實施細則》) amended by the MOF on October 28, 2011, unless stated otherwise, the tax rate for value-added tax ("**VAT**") payers who are selling or importing goods, and providing processing repairs and replaced services in the PRC shall be 17%.

Pursuant to the Notice of the MOF and the SAT on the Policies of Low Value-added Tax Rates and the Simplified Value-added Tax Collection Method Being Applicable to Certain Goods (《財政部、國家税務總局關於部分貨物適用增值税低税率和簡易辦法徵收增值税政策的通知》), which was issued on January 19, 2009 and took effect on January 1, 2009, manufacturers of certain products, including biological products made from microbes or their metabolites, animal toxins, or bloods or tissues of humans or animals, may choose to pay VAT at the rate of 6% with the simplified VAT collection method. When the simplified VAT collection method is used, the lower VAT rate is applied but without deduction of input VAT. Eligible companies that choose to adopt the lower VAT rate and simplified VAT collection method need only file with the local taxation authorities, and no pre-approval is required. Among our current products, EPIAO, TPIAO, Intefen, Inleusin and SEPO are biological products eligible for the low VAT rate and the simplified VAT collection method. In April 2013, after filing with the applicable taxation authority, we started to adopt the 6% VAT rate and the simplified VAT collection method for our eligible products.

Pursuant to the Notice of the MOF and the SAT on the Policy of Simplifying and Consolidating Value-added Tax Collection Rates (《財政部、國家税務總局關於簡併增值税徵收率政策的通知》), which was issued on June 13, 2014 and took effect on July 1, 2014, the optional VAT rate for the products described above decreased from 6% to 3%, which we adopted in July 2014.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN CURRENCY 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 (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on June 20, 1996 and became effective on July 1, 1996. Under these rules and other PRC rules and regulations on currency conversion, RMB is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and divided payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of SAFE or its local counterparts is obtained. Foreign investment enterprises, or FIEs in the PRC may purchase foreign

exchange without the approval of SAFE for paying dividends by providing certain supporting documents (such as board resolutions), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain their recurrent exchange earnings according to their needs of operation and the sums retained may be deposited into foreign exchange bank accounts maintained with the designated banks in the PRC. In addition, foreign exchange transactions involving overseas direct investment or investment and exchange in securities and derivative products abroad are subject to registration with SAFE and approval from or filling with the relevant PRC government authorities (if necessary).

The Notice on the Relevant Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises ("**Circular No. 142**", 《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) was promulgated and became effective on August 29, 2008. It regulates the conversion by a FIE of foreign currency into RMB by restricting how the converted RMB may be used. It requires that RMB converted from the foreign currency denominated capital of a FIE may only be used for purposes within the business scope approved by the relevant governmental authorities and may not be used for equity investments within the PRC unless otherwise specifically provided. Further, it cannot be used to repay RMB denominated loans if the proceeds of such loans have not yet been used.

On March 30, 2015, the SAFE issued the Notice of the SAFE on the Reform of the Administrative Methods of the Settlement of Foreign Currency Capital of Foreign-invested Enterprises ("**Circular 19**",《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), which will become effective on June 1, 2015 to reform the administration of conversion of foreign currency registered capitals of FIEs. According to Circular 19, Circular 142 will be repealed simultaneously when Circular 19 comes into effect. Circular 19 adopts a concept of "discretionary settlement" as opposed to settlement on a payment basis as set forth in Circular 142. Discretionary settlement is defined in Circular 19 as the settlement of an FIE's foreign currency registered capital in accordance with the enterprise's actual business needs. No review of the purpose of the funds is required at the time of settlement under Circular 19. However, use of any RMB funds converted from its registered capital shall be based on true transactions, and the RMB funds obtained by FIEs from the discretionary settlement of foreign currency registered capitals shall be managed under the accounts pending for foreign currency settlement payment. In addition, equity investments using converted registered capital are no longer prohibited under Circular 19.

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. Circular No.59 also simplified the capital verification and confirmation formalities for the FIEs and the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire the equity interests of PRC entities, and further improve the administration on exchange settlement of foreign exchange capital of FIEs.

According to the Circular of the State Administration of Foreign Exchange on Issues concerning the Pilot Reform of the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises in Certain Areas promulgated (《關於在部分地區開展外商投資企業外匯資本金結匯管理方式改革試點有關問題的通知》) by the SAFE on July 4, 2014, the SAFE has decided to launch the pilot reform of the administrative approach regarding the settlement of the foreign exchange capitals of foreign-invested enterprises in certain areas such as Shenyang Economic Zone. Under the aforesaid circular, the foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capitals in its capital account for which the local foreign exchange bureau has confirmed capital contribution rights and interests. Ordinary foreign-invested enterprises other than the foreign-invested enterprises whose main business is investment shall be governed by the prevailing provisions on domestic re-investment if they make domestic equity investments by capital transfer in the original currencies. Where such an ordinary foreign-invested enterprise makes domestic equity investment with the amount obtained from foreign exchange settlement, the invested enterprise shall first go through domestic re-investment registration and open a corresponding Account Pending for Foreign Exchange Settlement Payment with the local foreign exchange bureau, and the enterprise making the investment shall then transfer the RMB funds obtained from foreign exchange settlement to the Account Pending for Foreign Exchange Settlement Payment opened by the invested enterprise according to the actual amount of investment.

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 February 12, 2014 (with the amendments becoming effective on June 1, 2014), the state shall administer the medical devices on the basis of classification according to the degree of risk. Class I medical devices shall refer to those devices with low risk and whose safety and effectiveness can be ensured through routine administration. Class II medical devices shall refer to those devices with medium risk and whose safety and effectiveness should be strictly controlled. Class III medical devices shall refer to those devices with high risk and whose safety and effectiveness must be strictly controlled with special measures. Pursuant to the Measures for the Supervision and Administration of the Operation of Medical Devices (《醫療器械經營監督管理辦法》) promulgated by CFDA on July 30, 2014 and became effective on October 1, 2014, the operation of medical devices is administered on the basis of classification according to the degree of risk of medical devices. The operation of Class I medical devices do not need any permission or filing for record, the operation of Class II medical devices is required to file for record, and the operation of Class III medical devices is required to obtain approval.

Specifically, an enterprise engaged in distribution of medical devices shall have business premises and storage facilities suitable for the operation scale and scope, and shall have a quality control organ or personnel suitable for the medical devices it operates. An enterprise engaged in the distribution of Class II medical devices shall keep a record with the municipal level food and drug administration, while an enterprise engaged in the distribution of Class III medical devices shall apply for an operation permit to the municipal level food and drug administration. The authority which accepts such application shall review and examine (if necessary), and will grant the operation permit if the enterprise meets the prescribed requirements. An operation permit is valid for five years and may be renewed pursuant to the relevant regulations. Pursuant to the Measures for the Supervision and

Administration of the Operation of Medical Devices, an enterprise engaged in the distribution of medical devices shall comply with the medical device operation quality management rules, which is prescribed in the Notice on the Implementation of Medical Device Operation Quality Management Rules (《國家食品藥品監督管理總局公告2014年第58號—關於施行醫療器械經營質量管理規範的公告》) issued by CFDA on December 12, 2014.

PRC LAWS AND REGULATIONS RELATING TO CENTRALISED 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, aims to regulate the procurement process of pharmaceutical products by medical institution. 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 Centralised Tender and 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 Centralised Tender and 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, non-profit medical institutions established by county or higher level government are required to implement centralised tender procurement of drugs.

The MOH promulgated the Working Regulations of Medical Institutions for Procurement of Drugs by Centralised 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)》) ("**Centralised Procurement Regulations**") on March 13, 2002, and promulgated Sample Document for Medical Institutions for Procurement of Drugs by Centralised Tender and Price Negotiations (for Trial Implementation) ("**Centralised 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 Centralised Tender Regulations and the Centralised Tender Sample Document provide rules for the tender process and negotiations of the prices of drugs, operational procedures, code of conduct and standards or measures of evaluating bids and negotiating prices.

On January 17, 2009, the MOH, the CFDA and other four national departments jointly promulgated the Opinions on Further Regulating Centralised 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, public medical institutions controlled by the government at the county level or higher or controlled by state-owned enterprises (including state-controlled enterprises) shall purchase pharmaceutical products by pharmaceutical centralised procurement. Each provincial government shall formulate its catalogue of drugs subject to centralised procurement. Except for drugs in the National Essential Drug List (the procurement of which shall comply with the relevant rules on National Essential Drug List), certain pharmaceutical products which are under the national government's special control and traditional Chinese medicines, in principle, all drugs used by public medical institutions shall be covered by the catalogue of drugs subject to centralised procurement. On July 7, 2010, the MOH and

six other ministries and commissions jointly promulgated the Working Regulations of Medical Institutions for Centralised Procurement of Drugs (《醫療機構藥品集中採購工作規範》) to further regulate the centralised procurement of drugs and clarify the code of conduct of the parties in centralized drug procurement.

The centralised tender process takes the form of public tender operated and organised by provincial or municipal government agencies. The centralised 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 centralised tender process. Such intermediaries are not permitted to engage in the distribution of drugs and must have no affiliation relationship or interest with the responsible government agencies. The bids are assessed by a committee composed of medical experts who will be randomly selected from a group 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. In principal, only pharmaceuticals that have won in the centralised tender process may be purchased by public medical institutions funded by government in the relevant region.

PRC LAWS AND REGULATIONS RELATING TO M&A AND OVERSEAS LISTING

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC and the SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors ("**M&A Rules**")《關於外國投資者併購境內企業的規定》, which was amended on June 22, 2009. An SPV is defined under the M&A Rules as an offshore entity directly or indirectly controlled by PRC individuals or enterprises with the objective of an overseas listing, and the main assets of which are the rights and interests in affiliated domestic enterprises. Under the M&A Rules, if an SPV intends to merge with or acquire any domestic enterprise affiliated with such PRC individuals or enterprises that control the SPV, the proposed merger or acquisition shall be submitted to the MOFCOM for approval. Chapter 3 of the M&A Rules also requires an SPV to obtain approval from the CSRC prior to the listing and trading of its securities on an overseas stock exchange, if the SPV, for purposes of listing overseas, acquired the existing or newly issued shares from one or more PRC companies and paid the consideration with existing or newly issued shares of the SPV.

PRC LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal regulations governing distribution of dividends of foreign holding companies include the Company Law of the PRC (《中華人民共和國公司法》) promulgated by the Standing Committee of the NPC in 1993 and amended in 1999, 2004, 2005 and 2013, the Foreign Investment Enterprise Law of the PRC (《中華人民共和國外資企業法》) promulgated by the Standing Committee of the NPC in 1986 and amended in 2000, and the Administrative Rules under the Foreign Investment Enterprise Law (《外資企業法實施細則》) promulgated by the State Council in 1990 and amended in 2001. Under the laws and regulations, foreign investment enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. Wholly foreign-owned enterprises shall make allocations to reserve funds and to bonus and welfare funds for their employees from their profits after paying income tax in accordance with China's tax laws, and such enterprises are required to allocate at least 10% of their respective

accumulated profits after-tax each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends. Wholly foreign-owned enterprises shall independently determine their allocation rates to bonus and welfare funds for employees. Wholly foreign-owned enterprises shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

PRC LAWS AND REGULATIONS RELATING TO THE RECOGNITION AND REVIEW OF HIGH AND NEW TECHNOLOGY ENTERPRISES

Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》), promulgated by the Ministry of Science and Technology, MOF and SAT on April 14, 2008, high and new technology enterprises refer to the PRC resident enterprises that are incessantly devoted to the research and development as well as transformation of technological achievements in the "**High and New Technology Areas Entitled to the Key Support of the State**", have formed their own independent core intellectual property rights and are carrying out business activities on this basis, and have been registered for at least one year within the territory of China (excluding Hong Kong, Macau and Taiwan regions).An enterprise must satisfy the following requirements simultaneously in order to be recognised as a high and new technology enterprise: (1) it must be an enterprise that is registered within the territory of China (excluding Hong Kong, Macau and Taiwan regions) and possess independent intellectual property rights of the core technologies in its major products (services) by way of independent research and development, acceptance of transfer, donation or merger during the immediately preceding three years or through exclusive licensing for a minimum period of five years; (2) its products (services) fall within the range prescribed in the "**High and New Technology Areas Entitled to the Key Support of the State**"; (3) the proportion of scientific and technological personnel and research and development personnel in its employment with a minimum educational background of junior college graduation reaches the required percentage; (4) the enterprise has been conducting continuous research and development activities, and the proportion of its total research and development expenditure and its total sales revenue during the immediately preceding three accounting years meets the requirements; (5) the revenue from high and new technology products (services) accounts for at least 60 percent of the total revenue of the enterprise during the current year; and (6) the enterprise's level of organisation and management of research and development, capacity of transformation of scientific and technological achievements, the number of independent intellectual property rights, growth in sales and total assets as well as other indicators conform to the requirements mentioned in the Guidelines on the Administration of Recognition of High and New Technology Enterprises.

In accordance with the Administrative Measures for the Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》) and the Guidelines on the Administration of Recognition of High and New Technology Enterprises (《高新技術企業認定管理工作指引》), promulgated by the Ministry of Science and Technology, MOF and SAT on July 8, 2008, an enterprise shall first make a self-evaluation referring to the previously mentioned requirements at the "**Website of Administration of Recognition of High and New Enterprise**". If an enterprise fulfils the requirements and has registered online, it may file a recognition application before the recognition authority and submit the following application materials: (1) an application for determination of high and new technology enterprise; (2) the duplication of the enterprise's business licence and tax

registration certificate (photocopies); (3) certificate materials for technological innovation activities; (4) description of the number of educational background of the employees, as well as the proportion of the research and development personnel in the total number of employees of the enterprise; (5) statements on the research and development expenditure of the enterprise during the immediately preceding three accounting years and special audit report on the revenue from high and new technology products (services) during the immediately preceding one accounting year attested by a qualified intermediary agency; and (6) the financial statements attested by a qualified intermediary agency during the immediately preceding three accounting years.The validity period of the high and new technology enterprise qualification shall be three years from the date of issuance of the certificate of high and new technology enterprise. The enterprise shall file an application for review within three months prior to the expiration of the validity period. The review shall focus on the conformity with the previously mentioned fourth requirement, i.e. the continuity of research and development activities of the enterprise and the proportion of its total research and development expenditure in its total sales revenue. Therefore, for the review, the enterprise shall submit a report on research and development activities and other technological innovation activities conducted during the immediately preceding three years, statements on the research and development expenditure of the enterprise during the immediately preceding three accounting years and special audit report on the revenue from high and new technology products (services) during the immediately preceding one accounting year attested by a qualified intermediary agency.

REGULATIONS ON FOREIGN EXCHANGE IN ONSHORE AND OFFSHORE TRANSACTIONS CONDUCTED BY THE FOUNDERS

Pursuant to the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), which is called SAFE Circular No. 37, promulgated by the SAFE and became effective on July 4, 2014, (1) A domestic resident shall, before contributing the domestic and overseas lawful assets or interests to a special purpose vehicle, apply to the competent SAFE authority for going through the procedures for foreign exchange registration of overseas investments. A domestic resident contributing domestic lawful assets or interests shall apply to the SAFE branch of registration place, or the SAFE branch of location of the domestic enterprise's assets or interests for going through the procedures for registration; a domestic resident contributing overseas lawful assets or interests shall apply to the SAFE branch of registration place, or the SAFE branch of the location of household registration for going through the procedures for registration. (2) In the event that the registered overseas SPV's basic information such as domestic individual resident shareholder, name and operating period has changed or major events such as domestic individual resident capital increase, capital reduction, share transfer or exchange, merger or division has occured, the foreign exchange change registration of overseas investments shall be timely finished in the relevant SAFE authority.

For the purpose of the Circular No. 37, a "**domestic institution**" refers to enterprises or public institution legal persons or other economic organizations legally established within the territory of China, and a "**domestic individual resident**" refers to a resident who holds an ID card of Chinese domestic resident, military ID card, Armed Police ID card or an individual who does not have a legal status in the PRC but chronically resides in the PRC due to economy interest in the PRC. The Circular No. 59 further clarify that a non-PRC individual who chronically resides in the PRC due to economy

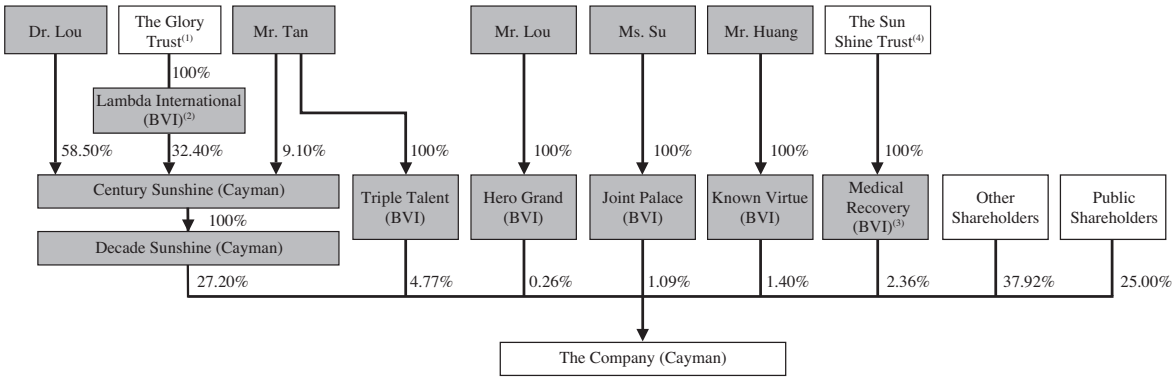
interest mainly fall into the following three categories: (1) an individual who has a permanent residence in the PRC, but temporarily leaves the PRC for reasons such as travel, study, medical treatment or work outside the PRC or satisfying a residence requirement in a foreign country, and who returns to his or her permanent domicile in the PRC after the aforementioned reasons no longer exist, (2) an individual who holds equity interests in a domestic-funded enterprise, or (3) an individual who originally held equity interests in a domestic-funded enterprise and has remained the beneficial owner after legal ownership of such interests are converted to equity interests in a foreign-invested enterprise.

Under the Circular No. 37, for those domestic residents or domestic enterprises directly or indirectly controlled by them that remit funds through false or fabricated transactions for SPV, the relevant SAFE authority shall order to remit the foreign exchange funds involved back to China within a specified period of time and impose a fine of up to 30 % of the foreign exchange amount for which foreign exchange controls have been evaded. Where the circumstances of the case are serious, a fine of between 30% and 100% of the foreign exchange for which foreign exchange controls have been evaded shall be imposed. Where the circumstances constitute a crime, the organization or individual concerned shall be pursued for criminal liability in accordance with the law. For those domestic residents failing to go through the relevant foreign exchange registration and truthfully disclose information on actual controller of the round-trip investment companies as required, and having actions such as false commitment, the relevant SAFE shall give warning or impose a fine. In the case that domestic residents failed to go through the relevant foreign exchange registration and truthfully disclose information on actual controller of the round-trip investment companies as required, and had actions such as false commitment, if the capital outflow occurred, the relevant SAFE authority shall order to remit the foreign exchange funds involved back to China within a specified period of time and impose a fine of up to 30 % of the foreign exchange amount for which foreign exchange controls have been evaded. Where the circumstances of the case are serious, a fine of between 30% and 100% of the foreign exchange for which foreign exchange controls have been evaded shall be imposed. Where the circumstances constitute a crime, the organization or individual concerned shall be pursued for criminal liability in accordance with the law. If the capital inflow occurred, the relevant SAFE authority shall order to make good the deficit and impose fine. If settlement of exchange occurred, the relevant SAFE authority shall order to remit the foreign exchange funds involved back to China and impose a fine. If the declaration of international balance of payment statistics with regard to the relevant cross-border revenues and expenditures between the domestic residents and SPV were not conducted according to pertinent provisions, the relevant SAFE authority shall order to make good the deficit and impose fine.

CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), our Management Controlling Shareholders will be collectively interested in and will control, through various intermediaries and trust vehicles, an aggregate of 37.06% of our issued share capital and will remain as our Controlling Shareholders.

The following diagram illustrates our Controlling Shareholders' shareholdings in our Company, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).



(1) The Glory Trust is a trust established by Mr. Lou as the settlor. Under the trust deed of The Glory Trust, Mr. Lou retains control over the voting rights of shares of Century Sunshine held by Lambda International.

(2) Lambda International is a wholly-owned subsidiary directly held by the Trustee acting as trustee of The Glory Trust.

(3) Medical Recovery is the nominee directly held by the Trustee acting as trustee of The Sun Shine Trust.

(4) Under the trust deed of The Sun Shine Trust, the advisory committee of The Sun Shine Trust will be controlling the voting rights of the Shares held by Medical Recovery. The advisory committee comprises Mr. Tan, Mr. Huang, Ms. Su and Mr. Li Ke (李柯). As the advisory committee shall act by a majority of its committee members, our Management Controlling Shareholders, whose members form the majority of the committee, are deemed to be interested in and controlling the voting rights of the Shares held by Medical Recovery.

All of our Management Controlling Shareholders have served as senior management of our Company since February 2009. As such, they have a relationship of mutual trust. They have jointly effected their management and control of our Company as a unified group and have, through discussions, reached consensus among themselves prior to making business decisions. They have a pattern of voting unanimously on Board and shareholders' resolutions on key corporate matters, and there has been no past incident where any of our Management Controlling Shareholders attempted to exercise his or her voting rights independently without the concurrence of the others.

As such, our Management Controlling Shareholders will be a group of Controlling Shareholders collectively interested in and entitled to exercise control over an aggregate of 37.06% of our issued share capital after completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Mr. Lou, one of our Management Controlling Shareholders, was the former chairman of our Board and has been serving as a senior advisor to the Company since June 2012. For further background on Mr. Lou, please refer to the section headed "History, Reorganization and Corporate Structure—Overview" in this prospectus. The other Management Controlling Shareholders are currently serving as directors of our Company. For further background on the other Management Controlling Shareholders, please refer to the section headed "Directors and Senior Management" in this prospectus.

Competition

Each of our Controlling Shareholders confirms that as at the Latest Practicable Date, he or she did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules. For information on Dr. Lou's position in Jiangsu Sunshine and Beijing Huansheng, please refer to the section headed "History, Reorganization and Corporate Structure—Corporate Restructuring—(4) Disposal of Jiangsu Sunshine" in this prospectus.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able of carrying on our business independently from our Controlling Shareholders after the Listing.

Management Independence

Our Directors consider that our Board and senior management will function independently from our Controlling Shareholders because:

(a) ***Board structure***

Our Board comprises nine Directors, among them are four executive Directors, two non-executive Directors and three independent non-executive Directors. Even though our four executive Directors are members of our Controlling Shareholders, none of the other Directors, who form the majority of our Board, is a Controlling Shareholder.

Furthermore, our independent non-executive Directors are well-recognized in our industry, professional parties having extensive experience in corporate management and development, and advisors who have previously participated in decision-making and advising on issues relating to our company's significant events and corporate governance. Our independent non-executive Directors are appointed to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions.

Our Directors believe that the balanced mix of Directors with different relevant professional background and expertise will provide us with balanced views and opinions, which are in the interests of the Company and our Shareholders as a whole. Our Board acts collectively and makes decisions in accordance with the Articles and applicable laws and regulations, so no single Director or Controlling Shareholder is supposed to be able to make any decisions unless authorized by our Board.

(b) ***Disclosure of interests***

According to the Articles, a Director who to his or her knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his or her interest at the meeting of our Board at which the question of entering into the contract or arrangement is first considered, if he or she knows his or her interest then exists, or in any other case at the first meeting of our Board after he or she knows that he or she is or has become so interested. In addition, a Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or any other proposal in which he or she or any of his or her close associates (as defined in the Articles) is materially interested except for certain circumstances as set out in the Articles. For details, please refer to the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this prospectus.

(c) ***Participation and voting in our Board meeting***

According to the Articles, questions arising at our Board meetings shall be determined by a majority of votes, provided that the approval of the annual budget of our Company and its subsidiaries shall require the approval of at least eighty percent of our Directors voting in favor of the annual budget at our Board meeting. In the case of any equality of votes, the chairman of the meeting shall have an additional or casting vote. As noted above, the majority of our Board is represented by Directors who are not our Controlling Shareholders, and therefore we are of the view that our Board is capable of making corporate decisions independently from our Controlling Shareholders.

(d) ***Participation and voting in general meeting***

There are no limitations under the Cayman Islands Company Law or the Memorandum and Articles of Association on the rights of any holders of Shares to hold or vote such Shares in accordance with the Memorandum and Articles of Association. Where our Company has knowledge that any Shareholder is under the rules of the Designated Stock Exchange (as defined in the Articles) required to abstain from or restricted from voting on any particular resolution of our Company or restricted to vote only for or only against any particular resolution of our Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted. Any transaction or arrangement between us and any of our Controlling Shareholders or his or her associates shall be governed by Chapter 14A of the Listing Rules, which provides that certain categories of connected transactions shall be subject to independent Shareholders' approval.

Operational Independence

Our Company (through our subsidiaries) holds all relevant licenses and owns all relevant intellectual properties and production and research and development facilities necessary to carry on our business of developing, producing, marketing and selling pharmaceutical products. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business.

To the best knowledge of our Directors, all our suppliers, promoters and distributors are Independent Third Parties.

Financial Independence

We have an independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

There are no outstanding loans or guarantees provided by, or granted to, any of our Controlling Shareholders or their respective associates.

Based on the above, our Directors are of the view that our Directors and senior management are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders after the Listing.

CORPORATE GOVERNANCE MEASURES

Other than deviation from Code Provision A.2.1 as disclosed in the section headed "Directors and Senior Management—A. Directors" in this prospectus, our Company will comply with the provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of their associates has a material interest, the relevant Controlling Shareholder(s) will not vote on the relevant resolutions and shall not be counted in the quorum in the voting;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;

(c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) each of our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

(e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and

(g) we have appointed Guotai Junan Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

CONTINUING CONNECTED TRANSACTIONS

We do not carry on any connected transactions (as defined in the Listing Rules) upon Listing which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A. DIRECTORS

Our Board consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. The following table provides certain information about our Directors:

Name	Age	Position	Roles and responsibilities	Date of appointment as Director	Date of joining the Group
Mr. LOU Jing (婁競)	52	Chairman, president, executive Director and chief executive officer	Strategic development and planning, overall operational management and major decision making of our Group	September 5, 2006	September, 1995
Mr. TAN Bo (譚擘)	41	Chief financial officer, executive Director and executive vice president	Overseeing the financial activities and the daily operation of the business development of our Group	May 29, 2013	February, 2009
Ms. SU Dongmei (蘇冬梅)	44	Executive Director and senior vice president	Strategic direction and leadership of research and development of our Group	June 11, 2012	January, 1993
Mr. HUANG Bin (黃斌) ..	54	Executive Director and vice president	In charge of administrative management of our Group and the operations management of our subsidiaries and joint ventures	November 27, 2014	January, 1993
Mr. LIU Dong (劉東)	42	Non-executive Director	Provide professional opinion and judgment to the Board	November 27, 2014	May, 2013
Mr. LV Dong (呂東)	40	Non-executive Director	Provide professional opinion and judgment to the Board	November 27, 2014	May, 2013
Mr. PU Tianruo (濮天若) .	46	Independent non-executive Director	Provide independent opinion and judgment to the Board	May 23, 2015(1)	September, 2012
Mr. David Ross PARKINSON	65	Independent non-executive Director	Provide independent opinion and judgment to the Board	May 23, 2015(1)	Date of this prospectus
Mr. MA Jun (馬駿)	52	Independent non-executive Director	Provide independent opinion and judgment to the Board	May 23, 2015(1)	Date of this prospectus

(1) Effective from the date of this prospectus.

Executive Directors

Mr. LOU Jing (婁競) was appointed as a Director of our Company on September 5, 2006 and was redesignated as an executive Director of our Company on November 27, 2014. He was appointed as the chairman of the Board on April 1, 2012. Dr. Lou is also our chief executive officer and president. He is responsible for the strategic development and planning, overall operational management and major decision making of our Group. He joined Shenyang Sunshine as a director of research and development in September 1995.

Dr. Lou also holds the following positions with other members of our Group:

(i) chairman of the board of Collected Mind (since June 2012);

(ii) director of Hongkong Sansheng (since November 2009);

(iii) director of Excel Partner (since December 2014);

(iv) director of Ample Harvest (since December 2014);

(v) director (since December 2001), chief executive officer and president of Shenyang Sunshine (since September 2000) and chairman of the board of Shenyang Sunshine (since October 2008);

(vi) director and general manager of Liaoning Sunshine (since May 2004);

(vii) executive director and general manager of Liaoning Sunshine Technology (since September 2009);

(viii) director and chairman of the board of Taizhou Huan Sheng Investment (since November 2010);

(ix) executive director of Zhejiang Sunshine (since May 2014);

(x) executive director of Shenzhen Baishitong (since December 2014);

(xi) executive director of Shanghai Aoxi (since December 2014);

(xii) chairman of the board of Sciprogen (since December 2014); and

(xiii) chairman of the board of Guangdong Sciprogen (since December 2014).

Dr. Lou has been highly active in pharmaceutical research and has made substantial contribution to our research and development of pharmaceutical products. Dr. Lou was the leading scientist and principal investigator in our successful development of EPIAO and TPIAO. He co-invented a "preparation process for recombinant human thrombopoietin" and a "method for improving the stability of polypeptides in human bodies and its application" in 2000 and 2001, respectively. He has

published in a number of academic journals on microbiology and medicinal biotechnology. His research has been recognized with various awards. In 2006, he was awarded the "Shenyang Science and Technology Progress Award" (瀋陽市科學技術進步一等獎) for his research on recombinant human thrombopoietin. In 2007, he was awarded the "Liaoning Province Scientific and Technological Achievements Prize" (遼寧省科技成果轉化三等獎) for his contribution to the industrialization of production of recombinant human thrombopoietin. Dr. Lou was also selected as a member of "The Recruitment Program of Global Experts", which is also known as the "Thousand Talents Program (千人計劃)", in March 2013.

Dr. Lou obtained a Medical Doctor degree (M.D.) in clinical medicine from Shanghai Second Military Medical University (上海第二軍醫大學) in July 1985. He conducted post-doctoral research at the National Institutes of Health of the United States after obtaining a Ph.D. degree in molecular and cell biology from Fordham University in February 1994. He also obtained an Executive Master of Business Administration from China Europe International Business School (中歐國際工商學院) in September 2008.

Mr. TAN Bo (譚擘) was appointed as a Director of our Company on May 29, 2013 and was redesignated as an executive Director of our Company on November 27, 2014. Mr. Tan is also our chief financial officer and executive vice president. He is responsible for overseeing the financial activities and the daily operation of the business development of our Group. Mr. Tan joined Shenyang Sunshine as the chief financial officer and vice president in February 2009. He also served as a director of Hongkong Sansheng from November 2009 to November 2014.

Mr. Tan also holds the following positions with other members of our Group:

(i) director of Collected Mind (since October 2009);

(ii) director of Excel Partner (since December 2014);

(iii) director of Ample Harvest (since December 2014);

(iv) chief financial officer and executive vice president (since February 2009) and director (since March 2010) of Shenyang Sunshine;

(v) director of Taizhou Huan Sheng Investment (since November 2010);

(vi) director of Sciprogen (since December 2014); and

(vii) director of Guangdong Sciprogen (since December 2014).

Mr. Tan has extensive experience within the financial and pharmaceutical industries, and has worked in private equity, equity research and commercial sectors. Mr. Tan has served as an independent non-executive director of Globe Metals & Mining (a company listed on the Australian Securities Exchange with security code GBE) since October 9, 2013. Mr. Tan served as an independent director and the chairman of the audit, compensation and nominating committee of Tianyin Pharmaceutical Co., Inc. (a company listed on the NYSE MKT LLC with symbol TPI) from June 4,

2012 to January 23, 2015. He served as executive director and a member of the investment committee of Bohai Industrial Investment Fund Management Company (渤海產業投資基金管理公司) ("**Bohai Fund**"), a private equity fund in China, from April 2007 to September 2008. Before that, he served as a vice president in the equity research division of Lehman Brothers Asia Limited from March 2006 to March 2007. He worked as a senior analyst at Macquarie Securities Asia in Hong Kong from October 2004 to February 2006.

Mr. Tan obtained a Bachelor's degree in Economics from Renmin University of China (中國人民大學) in July 1994, a Master's degree in Economics from the University of Connecticut in December 1996 and a Master of International Management from Thunderbird School of Global Management in August 1998.

Ms. SU Dongmei (蘇冬梅) was appointed as a Director of our Company on June 11, 2012 and was redesignated as an executive Director of our Company on November 27, 2014. Ms. Su is also our senior vice president. She is responsible for strategic direction and leadership of research and development of our Group. Ms. Su joined Shenyang Sunshine as a scientist of the research and development department in January 1993, and served as a director of the research and development department from 1997 to 2006. She subsequently served as chief technology officer responsible for research and development and manufacturing process engineering of Shenyang Sunshine from 2006 to 2008. Ms. Su was promoted to vice president of Shenyang Sunshine in April 2008. Ms. Su served as a director of Shenyang Sunshine from August 2007 to June 2013. She also served as a director of Hongkong Sansheng from November 2009 to November 2014.

Ms. Su also holds the following positions with other members of our Group:

(i) senior vice president of Shenyang Sunshine (since May 2013);

(ii) supervisor of Liaoning Sunshine (since November 2006); and

(iii) supervisor of Liaoning Sunshine Technology (since September 2009).

Ms. Su is the named co-inventor of four of our patents.

Ms. Su obtained a Bachelor's degree in Biochemistry from Jilin University (吉林大學) in July 1992 and a Master's and Doctorate degree in Microbiology and Pharmacology from Shenyang Pharmaceutical University (瀋陽藥科大學) in June 2001 and July 2010, respectively. She has published in a number of academic journals on microbiology and medicinal biotechnology.

Mr. HUANG Bin (黃斌) was first appointed as a Director of our Company on September 5, 2006 and ceased to be a Director on May 29, 2013. Mr. Huang was reappointed as an executive Director of our Company on November 27, 2014. Mr. Huang is also our vice president. He is in charge of the administrative management of our Group and the operations management of our subsidiaries and joint ventures. Mr. Huang joined Shenyang Sunshine in 1993 as a manager of the human resources department.

Mr. Huang also holds the following positions with other members of our Group:

(i) director of Collected Mind (since August 2006);

(ii) director and vice president of Shenyang Sunshine (since December 2001). Mr. Huang ceased to be a director in May 2013 and was reappointed as a director in June 2013; and

(iii) director and general manager of Taizhou Huan Sheng Investment (since November 2010).

Mr. Huang received a diploma in Engineering from Northeast College of Engineering (東北工學院) (currently known as Northeast University (東北大學)) in July 1987. He attended a one-year training program in business management in Tsinghua University (清華大學) from April 2000 to April 2001.

Non-executive Directors

Mr. LIU Dong (劉東) was appointed as our non-executive Director on November 27, 2014. He is responsible for participating in the formulation of our Company's corporate and business strategies. Mr. Liu has served as a director of Shenyang Sunshine since May 28, 2013.

Mr. Liu joined CITIC Private Equity Funds Management Co., Ltd ("**CITIC PE**") in January 2009. He is a managing director of CITIC PE in charge of investment in the healthcare sector.

Mr. Liu also currently serves as a director of Zhejiang Beingmate Technology Industry & Trade Co. Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 002570), Biosensors International Group, Ltd. (a company listed on the SGX-ST with symbol B20) and Luye Pharma Group Ltd. (a company listed on the Stock Exchange with stock code 2186).

Mr. Liu received a joint Bachelor's degree in Physics and Finance from Nankai University (南開大學) in June 1995 and an Executive Master of Business Administration from China Europe International Business School (中歐國際工商學院) in October 2011.

Mr. LV Dong (呂東) was appointed as our non-executive Director on November 27, 2014. He is responsible for participating in the formulation of our Company's corporate and business strategies. Mr. Lv has served as a director of Shenyang Sunshine since May 28, 2013.

Mr. Lv has also served as a vice president of CITIC PE, mainly engaging in the investment in the healthcare sector, since 2011.

Mr. Lv received a Master's degree in Pharmacy from Peking University (北京大學) in 2003 and a Doctorate degree in Pharmaceutical Administration from China Pharmaceutical University (中國藥科大學) in June 2010.

Mr. Liu and Mr. Lv's directorships with the aforesaid companies are non-executive in nature. Their responsibilities as directors of these companies are primarily to preside over and participate in board meetings to make major business decisions. They are not involved in the day-to-day management of these companies. Both Mr. Liu and Mr. Lv also have non-executive roles on our Board and will also not be involved in the day-to-day management of our Company. The business activities of these companies do not compete, or are not likely to compete, with our businesses, and therefore the overlapping roles assumed by Mr. Liu and Mr. Lv will not in most cases affect their impartiality in discharging, nor absolve them from, their fiduciary duties owed to our Company. In particular, none of the aforesaid companies of which Mr. Liu or Mr. Lv currently serves as a director (other than our Company and Shenyang Sunshine) is carrying on business in the pharmaceutical industry, except Luye Pharma Group Ltd. However, the pharmaceutical products offered by Luye Pharma Group Ltd. are distinctively different from our products and cater for different needs of doctors and patients, and therefore none of their products competes or is likely to compete with our products.

Independent non-executive Directors

Mr. PU Tianruo (濮天若) was appointed as our independent non-executive Director on May 23, 2015 with such appointment taking effect on the date of this prospectus. He is responsible for participating in decision-making and advising on issues relating to our Company's significant events and corporate governance. Previously, he served as our independent Director, audit committee chair and compensation committee member from September 1, 2012 to May 29, 2013.

Mr. Pu has had substantial experience in corporate finance, accounting, mergers and acquisitions, as well as in the technology sector. He has served as an independent non-executive director of WOWO Limited (a company listed on the NASDAQ with symbol WOWO) since April 2015. He served as director and chief financial officer of UTStarcom (a company listed on the NASDAQ with symbol UTSI) from November 2011 to May 2014 and from October 2012 to August 2014, respectively. Mr. Pu also served as the chief financial officer of China Nuokang Bio-Pharmaceutical Inc. (a company listed on the NASDAQ with symbol NKBP) from September 2008 to June 2012.

Mr. Pu obtained a Bachelor's degree in English from China Foreign Affairs University (外交學院) in July 1991, a Master's degree in Accounting from the University of Illinois, College of Business Administration in May 1996 and a Master of Business Administration from Northwestern University Kellogg School of Management in June 2000.

Mr. David Ross PARKINSON was appointed as our independent non-executive Director on May 23, 2015 with such appointment taking effect on the date of this prospectus. He is responsible for participating in decision-making and advising on issues relating to our Company's significant events and corporate governance.

Mr. Parkinson has served as a director of both Cerulean Pharma, Inc. (a company listed on the NASDAQ with symbol CERU) since November 2014 and Threshold Pharmaceuticals, Inc. (a company listed on the NASDAQ with symbol THLD) since May 2010. He has also served as a director of DeNovo Biosciences, Inc. and Tocagen Inc. and is a venture partner at New Enterprise Associates, a venture capital firm.

From 2007 to 2012, Mr. Parkinson served as president and chief executive officer at Nodality, Inc., a biotechnology company focused on personalized medicine. Before that, he was a vice president and head of the clinical oncology therapeutic area at Amgen Inc. (a company listed on the NASDAQ with symbol AMGN).

Mr. Parkinson served as a director of the American Association for Cancer Research (AACR) from 2006 to 2009. He served on the National Cancer Policy Forum of the Institute of Medicine from 2005 to 2011.

Mr. Parkinson has received multiple awards and honors, including the top innovator award from the Multiple Myeloma Research Foundation in 2012 and the Wiley Medal from the USFDA in 1997. He delivered the 12th Andrew H. Weinberg Memorial Lecture at the Harvard University School of Medicine in 2008.

Mr. Parkinson obtained a Doctor of Medicine degree (M.D.) at the University of Toronto Faculty of Medicine in 1974.

Mr. MA Jun (馬駿) was appointed as our independent non-executive Director on May 23, 2015 with such appointment taking effect on the date of this prospectus. He is responsible for participating in decision-making and advising on issues relating to our Company's significant events and corporate governance. Mr. Ma has served as the chief executive officer of Rong & De (Tianjin) Investment Partnership (Limited Partnership) (熔安德(天律)投資合伙企業(有限合伙)) since April 2011 in charge of fund raising and management. Mr. Ma was an attorney of Commerce & Finance Law Offices from January 2006 to April 2007.

Mr. Ma obtained a Bachelor of Laws degree (L.L.B.) from Peking University (北京大學) in July 1985. He obtained a Juris Doctor degree (J.D.) from Cornell Law School in May 1996 and was subsequently admitted to the New York bar.

Save as disclosed above, none of our Directors held any directorship positions in any listed companies in Hong Kong or overseas within the three years immediately preceding the date of this prospectus. There was no other information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A of the Listing Rules as of the Latest Practicable Date.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders or the Stock Exchange.

B. SENIOR MANAGEMENT

The following table provides certain information about our senior management (other than our executive Directors):

Name	Age	Position	Date of joining our Group	Duties
Ms. LI Huihui (厲蕙蕙) ...	34	Vice president	September 2013	In charge of capital markets and mergers and acquisitions
Mr. LI Ke (李柯)	47	Vice president	March 1993	Overseeing the compliance and corporate governance of our Group
Mr. CHEN Yongfu (陳永富)	58	Director of financial department	March 2003	Overseeing the financial management of our Group
Ms. LIU Yanli (劉彥麗) ...	34	Senior manager	January 2007	Overseeing the general administration of our Group
Ms. YOU Fei (由飛)	36	Financial controller	February 2011	Overseeing the accounting and financial reporting of our Group
Mr. ZHANG Zhonghua (張忠華)	41	Director of human resources department	August 2011	Overseeing the human resources administration of our Group
Ms. DANG Hui (黨惠).....	43	Director of sales and marketing department	August 1999	Overseeing the sales and marketing functions of our Group

Ms. LI Huihui (厲蕙蕙) was appointed as a vice president of our Company and Shenyang Sunshine in September 2013. Ms. Li has also served as a director of Excel Partner and Ample Harvest since December 2014, as well as a director of Sciprogen and Guangdong Sciprogen, and a director and the chairperson of the board of Sirton since January 2015. Before joining us, Ms. Li worked in Bain & Company (Beijing) Management Consulting Co., Ltd., Shanghai Branch (北京貝恩創效管理顧問有限公司上海分公司) from March 2007 to September 2010 first as an associate consultant and was a consultant when she left the firm. She also worked in CITIC PE from September 2010 to September 2013 first as an associate and later as a senior investment manager at the time of her departure. Ms. Li obtained Bachelor's degree in Marketing, and Master's degree in Business Administration from Shanghai University of Finance and Economics (上海財經大學) in July 2003 and December 2005 respectively.

Mr. LI Ke (李柯) was appointed as a vice president of our Company and Shenyang Sunshine in February 2011. Mr. Li joined Shenyang Sunshine as an assistant to the president in March 1993. Mr. Li has also served as the general manager of Zhejiang Sunshine since May 2014. Previously, Mr. Li served as a director of Hongkong Sansheng from November 2009 to November 2014 and as a director of Shenyang Sunshine from August 2007 to May 2013. Before that, he served as the assistant to the president of Shenyang Sunshine from March 1993 to January 2011. Mr. Li also completed a post-graduate course in Political Economics at Liaoning University (遼寧大學) in October 2001.

Mr. CHEN Yongfu (陳永富) was appointed as a director of financial department of our Company and Shenyang Sunshine in November 2011. Mr. Chen has also served as a director of Hongkong Sansheng since November 2014. Mr. Chen served as a financial manager of Shenyang Sunshine from March 2003 to November 2010. Mr. Chen obtained Bachelor's degrees in Engineering and Accounting from Liaoning University (遼寧大學) in July 1983.

Ms. LIU Yanli (劉彥麗) was appointed as the senior manager of our Company and Shenyang Sunshine in 2011 and is responsible for overseeing the general administration of our Group. Ms. Liu has served as a director of Hongkong Sansheng since November 2014 and a director of Sirton since January 2015. Ms. Liu has served as the supervisor of Zhejiang Sunshine since May 2014. She has also served as the supervisor of Shenzhen Baishitong since December 2014, and the supervisor of Sciprogen and Guangdong Sciprogen since December 2014. Ms. Liu joined Shenyang Sunshine as an international sales representative in January 2007. Ms. Liu served as an assistant to the chief executive officer and project manager of foreign drug registration of Shenyang Sunshine from 2008 to 2011 and 2013 respectively. Ms. Liu obtained a Bachelor's degree in Biochemistry and Master's degree in Chemistry with Entrepreneurship from the University of Nottingham in July 2005 and December 2006, respectively.

Ms. YOU Fei (由飛) was appointed as the financial controller of our Company and Shenyang Sunshine in February 2011. She is responsible for overseeing the accounting and financial reporting of our Group. Ms. You has also served as a director of Sciprogen and Guangdong Sciprogen since December 2014. Before joining us, Ms. You served as a manager at KPMG Huazhen (Special General Partnership) from August 2003 to January 2009 and a group accounting manager at Perlos (Beijing) Electronic and Telecommunication Component Co., Ltd. from February 2009 to February 2011. Ms. You has been a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since 2010. Ms. You obtained Bachelor's and Master's degrees in Economics from Renmin University of China (中國人民大學) in July 2000 and July 2003, respectively.

Mr. ZHANG Zhonghua (張忠華) was appointed as the director of human resources department of our Company and Shenyang Sunshine in January 2013. He is responsible for overseeing the human resources administration of our Group. Mr. Zhang joined Shenyang Sunshine as a manager of the human resources department in August 2011. Before joining us, Mr. Zhang served as the director of human resources department of Kingdee Software (China) Co. Ltd. Shenyang Branch (金蝶軟件(中國)有限公司瀋陽分公司) from April 2011 to July 2011. Before that, Mr. Zhang served as the head of human resources department of Shenyang Neusoft Medical Systems Co., Ltd. (瀋陽東軟醫療系統有限公司) from August 2005 to April 2011. Mr. Zhang obtained a Bachelor's degree in Economics from Fudan University (復旦大學) in July 1996.

Ms. DANG Hui (黨惠) was appointed as the director of sales and marketing department of our Company and Shenyang Sunshine in April 2012. She is responsible for overseeing the sales and marketing functions of our Group. Ms. Dang joined Shenyang Sunshine as a manager in August 1999. Ms. Dang then served as a sales manager of Shenyang Sunshine from September 2001 to January 2002. From February 2002 to March 2012, Ms. Dang held several positions in Shenyang Sunshine, including regional manager.

Save as disclosed above, none of our senior management members held any directorship positions in any listed companies in Hong Kong and overseas within the three years immediately preceding the date of this prospectus.

JOINT COMPANY SECRETARIES

Ms. LI Huihui (厲蕙蕙), one of our joint company secretaries, was appointed on November 27, 2014. She is also a member of our senior management. Please refer to the paragraph headed "—B. Senior Management" in this section for details of her qualifications.

Ms. LAI Siu Kuen (黎少娟), one of our joint company secretaries, was appointed on November 27, 2014. Ms. Lai is a senior manager of KCS Hong Kong Limited, responsible for providing company secretarial and compliance services to listed companies. She has over 15 years of professional and in-house experience as a company secretary. Ms. Lai currently also serves as sole/joint company secretary of several companies which are listed on the Stock Exchange, including Qingdao Port International Co., Ltd. (a company listed on the Stock Exchange with stock code 6198) and Luye Pharma Group Ltd. (a company listed on the Stock Exchange with stock code 2186). She obtained a Bachelor's degree in Accounting from the Hong Kong Polytechnic University in November 1997. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

COMMITTEES UNDER THE BOARD OF DIRECTORS

Audit Committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The audit committee comprises one non-executive Director, namely Mr. Lv Dong (吕東), and two independent non-executive Directors, namely Mr. Pu Tianruo (濮天若) and Mr. Ma Jun (馬駿). Mr. Pu Tianruo (濮天若), being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board regarding the

terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The remuneration committee comprises one non-executive Director namely, Mr. Liu Dong (劉東) and two independent non-executive Directors, namely Mr. Ma Jun (馬駿) and Mr. Pu Tianruo (濮天若), with Mr. Ma Jun (馬駿) being the chairman of the committee.

Nomination Committee

We have established a nomination committee in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The nomination committee comprises one executive Director namely, Mr. Lou Jing (婁競) and two independent non-executive Directors, namely Mr. Pu Tianruo (濮天若) and Mr. Ma Jun (馬駿), with Mr. Lou Jing (婁競) being the chairman of the committee.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Currently, given that our Group's main business operations are located in China and all of our executive Directors ordinarily reside in the PRC, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules. For further details, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules" in this prospectus.

DIRECTORS' REMUNERATION

Our Directors and senior management receive remuneration, including salaries, allowances and benefits in kind, including our contribution to the pension plan on their behalf.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) incurred by the five highest paid individuals for the years ended December 31, 2012, 2013 and 2014 was approximately RMB25.8 million, RMB94.9 million and RMB111.0 million, respectively, which includes the accelerated vesting of share-based rewards related to our privatisation transaction and share-based awards granted in August 2013 and August 2014.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) paid to our Directors and senior management for the years ended December 31, 2012, 2013 and 2014 was approximately RMB30.7 million, RMB99.5 million and RMB116.4 million, respectively, which includes the accelerated vesting of share-based rewards related to our privatisation transaction and share-based awards granted in August 2013 and August 2014. None of our Directors or senior management waived any remuneration during the aforesaid periods.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended December 31, 2012, 2013 and 2014 by our Company to our Directors or senior management.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor (the "**Compliance Advisor**") pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Advisor will advise our Company in certain circumstances including:

(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 the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Advisor shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we will comply with the Corporate Goverance Code after the Listing, save as described below.

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from, the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer. Dr. Lou currently performs these two roles. Our Board believes that vesting both the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enabling more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at an appropriate time, taking into account the circumstances of our Group as a whole.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have beneficial interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of shareholder	Nature of interest	Number and class of securities	Approximate percentage of interest in our Company immediately after the Global Offering[1]
Decade Sunshine Limited.....	Beneficial owner	659,367,030	27.20%
Century Sunshine Limited[2].....	Interest in a controlled corporation	659,367,030	27.20%
LOU Jing (婁競)[3].....	Interest in a controlled corporation	659,367,030	27.20%
CS Sunshine Investment Limited.....	Beneficial owner	712,258,360	29.38%
CITIC PE Funds Limited[4]	Interest in a controlled corporation	712,258,360	29.38%

Notes:

(1) The calculation is based on the total number of 2,424,398,570 Shares in issue immediately after completion of the Global Offering (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option).

(2) Decade Sunshine is wholly-owned by Century Sunshine and therefore Century Sunshine is deemed to be interested in 659,367,030 Shares held by Decade Sunshine.

(3) Century Sunshine is owned as to 58.50% by Dr. Lou, 32.40% by Lambda International and 9.10% by Mr. Tan. Dr. Lou is therefore deemed to be interested in the Shares held by Decade Sunshine Limited, which is wholly-owned by Century Sunshine for the purpose of the SFO.

(4) CS Sunshine is wholly-owned by CPE. The general partner of CPE is CITIC PE Associates, L.P., an exempted limited partnership registered under the laws of the Cayman Islands whose general partner is CITIC PE Funds Limited, an exempted company incorporated in the Cayman Islands with limited liability.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, have beneficial interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

The following is a description of our authorized and issued share capital as of the Latest Practicable Date, immediately after completion of the Pre-IPO Reorganization and immediately after completion of the Global Offering:

		US$
As of the Latest Practicable Date		
Authorized Share Capital		
50,000,000,000	Shares of US$0.00001 each	500,000
Issued Share Capital		
1,939,518,570	Shares of US$0.00001 each	19,395.1857
Immediately after Completion of the Pre-IPO Reorganization		
Authorized Share Capital		
50,000,000,000	Shares of US$0.00001 each	500,000
Issued Share Capital		
1,939,518,570	Shares of US$0.00001 each	19,395.1857
Immediately after Completion of the Global Offering		
Authorized Share Capital		
50,000,000,000	Shares of US$0.00001 each	500,000
Issued Share Capital		
2,424,398,570	Shares of US$0.00001 each	24,243.9857

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. It also assumes that the Over-allotment Option is not exercised and takes no account of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in our share capital and rank equally with all Shares currently in issue and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Islands Company Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Islands Company Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. Please refer to the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law—2. Articles of Association—(c) Alteration of capital" in Appendix III to this prospectus for further details.

Pursuant to the Cayman Islands Company Law and the terms of the Memorandum of Association and Articles of Association, all or any of the special rights attached to the Shares or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. Please refer to the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law—2. Articles of Association—(d) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus for further details.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue or the exercise of any options or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our shareholders) with an aggregate nominal value of not more than the sum of:

- 20% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering; and

- the aggregate nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares referred to below.

This general mandate to issue Shares will remain in effect until:

- the conclusion of our next annual general meeting;

- the expiration of the period within which our next annual general meeting is required by any applicable law or the Articles of Association to be held; or

- it is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate to allot, issue and deal with Shares are set forth under "Written resolutions of our sole shareholder passed on May 23, 2015" in Appendix IV to this prospectus.

POST-IPO SHARE OPTION SCHEME

We conditionally adopted the Post-IPO Share Option Scheme on May 23, 2015. Please refer to the section headed "Statutory and General Information—A. Further Information About Our Company—5. Post-IPO Share Option Scheme" in Appendix IV to this prospectus for further details on the Post-IPO Share Option Scheme.

REPURCHASE MANDATE

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in "Written resolutions of our sole shareholder passed on May 23, 2015" in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

- the conclusion of our next annual general meeting;

- the expiration of the period within which our next annual general meeting is required by any applicable law or the Articles of Association to be held; or

- it is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) and (b) of the Listing Rules require that there shall be an open market in the securities for which listing is sought and for which a sufficient public float of an issuer's listed securities shall 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 public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by public (listed 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, provided that 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.

Our Company will confirm sufficiency of public float in successive annual reports after the Listing.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (altogether, the "**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 500 Shares) that may be purchased for an aggregate amount equal to the Hong Kong dollar equivalent of US$150.0 million (approximately HK$1,162.6 million calculated at the agreed exchange rate of 1 USD:HK$7.7505) (the "**Cornerstone Placing**"). Based on an Offer Price of HK$8.30 (being the low end of the stated range of the Offer Price of between HK$8.30 and HK$9.10 per Share), the total number of Offer Shares to be subscribed by the Cornerstone Investors would be approximately 140,063,000, representing approximately (i) 25.68% of the total number of International Placing Shares issued under the International Placing, assuming that the Over-allotment Option is not exercised; or (ii) 23.11% of the Offer Shares in issue upon the completion of the Global Offering and 5.78% of our entire issued share capital immediately upon completion of the Global offering, assuming that the Over-allotment Option is not exercised. Based on an Offer Price of HK$8.70 (being the mid-point of the stated range of the Offer Price of between HK$8.30 and HK$9.10 per Share), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be approximately 133,624,000, representing approximately (i) 24.50% of the total number of International Placing Shares issued under the International Placing, assuming that the Over-allotment Option is not exercised; or (ii) 22.05% of the Offer Shares in issue upon the completion of the Global Offering and 5.51% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Each of the Cornerstone Investors is an Independent Third Party, is not a connected person (as defined under the Listing Rules) of our Company, and is not an existing shareholder of our Company. In addition, each of the Cornerstone Investors is independent of each other, and make independent investment decisions. 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 June 10, 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 Offer 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, each of the Cornerstone Investors will not have any board representation in our Company, and to the best of its knowledge, will be independent of our Company, its connected persons and their respective associates (as defined in the Listing Rules). The Cornerstone Investors do not have any preferential rights compared with other public Shareholders in the respective investment agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering described in the section headed "Structure of the Global Offering — the Hong Kong Public Offering".

OUR CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing:

		Based on the Offer Price of HK$8.30		Based on the Offer Price of HK$8.70	
Cornerstone Investor	**Investment Amount**	**Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)**	**Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully-exercised)**	**Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)**	**Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully-exercised)**
	(US$ in million)				
BlackRock Funds	40	1.54%	1.48%	1.47%	1.42%
China Life Franklin Asset Management Co., Limited	20	0.77%	0.74%	0.73%	0.71%
GIC Private Limited	30	1.16%	1.11%	1.10%	1.06%
ICBC Credit Suisse Asset Management (International) Company Limited	10	0.39%	0.37%	0.37%	0.35%
LAV Funds	30	1.16%	1.11%	1.10%	1.06%
New China Asset Management (Hong Kong) Limited	20	0.77%	0.74%	0.73%	0.71%

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

BlackRock Funds

APAC Alpha Advantage Custom Strategy, Emerging Markets Alpha Advantage Fund — Strategic Ltd, Asia Alpha Advantage Fund Ltd, Pan Asia Opportunities Master Fund Ltd, Emerging Markets Alpha Advantage Fund — Strategic Screened Ltd, Emerging Markets Alpha Advantage Fund Ltd., Emerging Markets Alpha Master Fund Ltd., DC Pacific Growth Fund, BlackRock Global Funds — Asian Dragon Fund, BlackRock Global Funds — Asian Growth Leaders Fund, BlackRock Asia Fund, BlackRock Asia Special Situations Fund, BlackRock Global Funds — China Fund, BlackRock Institutional Equity Funds — Pacific and BlackRock Global Funds — Pacific Equity Fund are funds and accounts ("**BlackRock Funds**") managed by investment subsidiaries of BlackRock, Inc. ("**BlackRock**"), which have discretionary investment management power over their respective BlackRock Funds, have agreed to subscribe for such number of Offer Shares (rounded to the nearest whole board lot of 500 Offer Shares) which may be purchased with an aggregate amount equal to the Hong Kong dollar equivalent of US$40 million (approximately HK$310.0 million calculated at the agreed exchange rate of 1 USD:HK$7.7505) at the Offer Price. Assuming an Offer Price of HK$8.30, being the low end of the Offer Price range set out in this prospectus, the total number of Offer Shares that the BlackRock Funds would subscribe for would be 37,347,500, representing (i) 6.85% of the total

number of International Placing Shares issued under the International Placing, assuming that the Over-allotment Option is not exercised; or (ii) 6.16% of the Offer Shares in issue upon the completion of the Global Offering and 1.54% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$8.70, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that the BlackRock Funds would subscribe for would be 35,630,500, representing (i) 6.53% of the total number of International Placing Shares issued under the International Placing, assuming that the Over-allotment Option is not exercised; or (ii) 5.88% of the Offer Shares in issue upon the completion of the Global Offering and 1.47% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

BlackRock is a leader in investment management, risk management and advisory services for institutional and retail clients worldwide. As at March 31, 2015, the assets under management under BlackRock was US$4.774 trillion.

China Life Franklin Asset Management Co., Limited

China Life Franklin Asset Management Co., Limited ("**China Life Franklin**") agreed to subscribe for such number of Offer Shares (rounded to the nearest whole board lot of 500 Offer Shares) which may be purchased with an aggregate amount equal to the Hong Kong dollar equivalent of US$20.0 million (approximately HK$155.0 million calculated at the agreed exchange rate of 1 USD:HK$7.7505) at the Offer Price. Assuming an Offer Price of HK$8.30, being the low end of the Offer Price range set out in this prospectus, the total number of Offer Shares that China Life Franklin would subscribe for would be 18,675,500, representing (i) 3.42% of the total number of International Placing Shares issued under the International Placing, assuming that the Over-allotment Option is not exercised; or (ii) 3.08% of the Offer Shares in issue upon the completion of the Global Offering and 0.77% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$8.70, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that China Life Franklin would subscribe for would be 17,817,000, representing (i) 3.27% of the total number of International Placing Shares issued under the International Placing, assuming that the Over-allotment Option is not exercised; or (ii) 2.94% of the Offer Shares in issue upon the completion of the Global Offering and 0.73% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

China Life Franklin is incorporated in Hong Kong. China Life Franklin is a Hong Kong-based asset management joint venture formed between China Life Asset Management Company Limited, China Life Insurance (Overseas) Company Limited and Franklin Templeton Investments. China Life Franklin holds the licenses granted by the Securities and Futures Commission to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

GIC Private Limited

GIC Private Limited ("**GIC**") agreed to subscribe for such number of Offer Shares (rounded to the nearest whole board lot of 500 Offer Shares) which may be purchased with an aggregate amount equal to the Hong Kong dollar equivalent of US$30.0 million (approximately HK$232.5 million calculated at the agreed exchange rate of 1 USD:HK$7.7505) at the Offer Price. Assuming an Offer Price of HK$8.30, being the low end of the Offer Price range set out in this prospectus, the total

number of Offer Shares that GIC would subscribe for would be 28,013,500, representing (i) 5.14% of the total number of International Placing Shares issued under the International Placing, assuming that the Over-allotment Option is not exercised; or (ii) 4.62% of the Offer Shares in issue upon the completion of the Global Offering and 1.16% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$8.70, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that GIC would subscribe for would be 26,725,500, representing (i) 4.90% of the total number of International Placing Shares issued under the International Placing, assuming that the Over-allotment Option is not exercised; or (ii) 4.41% of the Offer Shares in issue upon the completion of the Global Offering and 1.10% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

GIC is a leading global investment firm with well over US$100 billion in assets under management. Established in 1981, the firm manages Singapore's foreign reserves and is uniquely positioned for long-term and flexible investments across a wide range of asset classes, including public equities, fixed income, real estate, and private equity. GIC employs more than 1,200 people across offices in Singapore, Beijing, London, Mumbai, New York, San Francisco, Sao Paulo, Seoul, Shanghai, and Tokyo.

GIC has invested in the holding company of one of the Joint Global Coordinators. As such, GIC is, prima facie, a connected client of the lead broker or distributors pursuant to paragraph 5(1) of the Placing Guidelines. Subject to certain conditions imposed, GIC may participate in the Global Offering as a cornerstone investor. Please refer to the section headed "Waiver From Strict Compliance with the Listing Rules — Cornerstone Investment by GIC Private Limited" in this prospectus.

ICBC Credit Suisse Asset Management (International) Company Limited

ICBC Credit Suisse Asset Management (International) Company Limited, acting as the Investment Manager of the National Council For Social Security Fund

ICBC Credit Suisse Asset Management (International) Company Limited, acting as the investment manager of the National Council For Social Security Fund ("**ICBCCSI-NSSF**"), agreed to subscribe for such number of Offer Shares (rounded to the nearest whole board lot of 500 Offer Shares) which may be purchased with an aggregate amount equal to the Hong Kong dollar equivalent of US$9.9 million (approximately HK$76.7 million calculated at the agreed exchange rate of 1 USD:HK$7.7505) at the Offer Price. Assuming an Offer Price of HK$8.30, being the low end of the Offer Price range set out in this prospectus, the total number of Offer Shares that ICBCCSI-NSSF would subscribe for would be 9,244,500, representing (i) 1.69% of the total number of International Placing Shares issued under the International Placing, assuming that the Over-allotment Option is not exercised; or (ii) 1.53% of the Offer Shares in issue upon the completion of the Global Offering and 0.38% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$8.70, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that ICBCCSI-NSSF would subscribe for would be 8,819,500, representing (i) 1.62% of the total number of International Placing Shares issued under the International Placing, assuming that the Over-allotment Option is not exercised; or (ii) 1.46% of the Offer Shares in issue upon the completion of the Global Offering and 0.36% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

ICBC Credit Suisse Asset Management (International) Company Limited ("**ICBCCSI**") is a company incorporated in Hong Kong. It is wholly owned by ICBC Credit Suisse Asset Management Co., Ltd. ("**ICBCCS**"), which in turn is 80% owned by Industrial and Commercial Bank of China ("**ICBC**") and 20% by Credit Suisse AG. ICBCCSI is licensed to carry out Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the SFO and is principally engaged in the provision of portfolio investment products management and advisory services. ICBCCSI is one of the appointed discretionary fund managers for the National Council For Social Security Fund ("**NSSF**"). Founded in 2005, ICBCCS is the first joint-venture asset management company established and controlled directly by a state-owned commercial bank in China. As of March 31, 2015, ICBCCS has obtained a number of business qualifications, including the management of Mutual Funds, QDII, Corporate Annuities, Discretionary Portfolios and NSSF funds. ICBCCS has provided investment management services to more than nine million mutual fund customers and many of annuities and dedicated-account customers. ICBCCS manages more than 50 mutual funds and a number of annuity portfolios and segregated accounts, with assets under management topping RMB640 billion.

NSSF, established by the State Council and managed by the National Council for Social Security Fund of the PRC, serves as a centralised social-security reserve managed by the PRC government to meet the social security needs of the future aging population. NSSF is permitted to invest in domestic and overseas investments, including bonds, stocks, funds and derivative instruments.

ICBC Credit Suisse Asset Management (International) Company Limited

ICBCCSI also agreed to subscribe for such number of Offer Shares (rounded to the nearest whole board lot of 500 Offer Shares) which may be purchased with an aggregate amount equal to the Hong Kong dollar equivalent of US$0.1 million (approximately HK$0.8 million calculated at the agreed exchange rate of 1 USD:HK$7.7505) at the Offer Price. Assuming an Offer Price of HK$8.30, being the low end of the Offer Price range set out in this prospectus, the total number of Offer Shares that ICBCCSI would subscribe for would be 93,000, representing (i) 0.02% of the total number of International Placing Shares issued under the International Placing, assuming that the Over-allotment Option is not exercised; or (ii) 0.02% of the Offer Shares in issue upon the completion of the Global Offering and 0.004% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$8.70, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that ICBCCSI would subscribe for would be 89,000, representing (i) 0.02% of the total number of International Placing Shares issued under the International Placing, assuming that the Over-allotment Option is not exercised; or (ii) 0.01% of the Offer Shares in issue upon the completion of the Global Offering and 0.004% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

For further details of ICBCCSI, please see the sub-paragraph headed "— Our Cornerstone Investors — ICBC Credit Suisse Asset Management (International) Company Limited — ICBC Credit Suisse Asset Management (International) Company Limited, acting as the Investment Manager of the National Council For Social Security Fund" above.

Pursuant to the investment management agreement entered between ICBCCSI and NSSF (and other third parties), for each proposed investment to be made by ICBCCSI for the NSSF mandate, ICBCCSI undertakes to commit to co-invest through its own capital no less than 1% of the total capital requirement. Accordingly, total cornerstone investment capital will be sourced from NSSF and ICBCCSI at a rate of 99% and 1%, respectively.

LAV Funds

Lilly Asia Ventures Fund III, L.P. and LAV Biosciences Fund III, L.P. (collective, the "**LAV Funds**") agreed to subscribe for such number of Offer Shares (rounded to the nearest whole board lot of 500 Offer Shares) which may be purchased with an aggregate amount equal to the Hong Kong dollar equivalent of US$30.0 million (approximately HK$232.5 million calculated at the agreed exchange rate of 1 USD:HK$7.7505) at the Offer Price. Assuming an Offer Price of HK$8.30, being the low end of the Offer Price range set out in this prospectus, the total number of Offer Shares that the LAV Funds would subscribe for would be 28,013,500, representing (i) 5.14% of the total number of International Placing Shares issued under the International Placing, assuming that the Over-allotment Option is not exercised; or (ii) 4.62% of the Offer Shares in issue upon the completion of the Global Offering and 1.16% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$8.70, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that the LAV Funds would subscribe for would be 26,725,500, representing (i) 4.90% of the total number of International Placing Shares issued under the International Placing, assuming that the Over-allotment Option is not exercised; or (ii) 4.41% of the Offer Shares in issue upon the completion of the Global Offering and 1.10% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The LAV Funds are managed by LAV Corporate G.P., Ltd. ("**LAV**"), which is a Cayman incorporated investment firm focused exclusively on the life sciences in the Asia Pacific region. LAV manages capital for a diverse base of institutional investors and focuses on a sector expertise model, identifying market leaders across all stages of company maturity (from venture to pre-IPO stages).

New China Asset Management (Hong Kong) Limited

New China Asset Management (Hong Kong) Limited ("**NCAMHK**") agreed to subscribe for such number of Offer Shares (rounded to the nearest whole board lot of 500 Offer Shares) which may be purchased with an aggregate amount equal to the Hong Kong dollar equivalent of US$20.0 million (approximately HK$155.0 million calculated at the agreed exchange rate of 1 USD:HK$7.7505) at the Offer Price. Assuming an Offer Price of HK$8.30, being the low end of the Offer Price range set out in this prospectus, the total number of Offer Shares that NCAMHK would subscribe for would be 18,675,500, representing (i) 3.42% of the total number of International Placing Shares issued under the International Placing, assuming that the Over-allotment Option is not exercised; or (ii) 3.08% of the Offer Shares in issue upon the completion of the Global Offering and 0.77% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$8.70, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that NCAMHK would subscribe for would be 17,817,000, representing (i) 3.27% of the total number of International Placing Shares issued under the International Placing, assuming that the Over-allotment Option is not exercised; or (ii) 2.94% of the Offer Shares in issue upon the completion of the Global Offering and 0.73% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

NCAMHK was established and jointly held by New China Asset Management Co., Ltd. ("**NCAM**") and New China Life Insurance Company Ltd. ("**NCL**") as to 60% and 40%, respectively. NCAMHK is the offshore asset allocation and investment platform of NCL.

NCL is the third largest nationwide life insurance company in the PRC. Controlled by Central Huijin Investment Ltd., other major shareholders of NCL are Baosteel Group Corp. Ltd. and the Swiss Re Group, with a total asset value of more than RMB600 billion. NCL was dual-listed on the Stock Exchange and the Shanghai Stock Exchange in December 2011 (stock code: HK.1336; SH.601336). NCAM was established in July 2006 as a dedicated asset management firm, and over 97% of its shares are controlled by NCL. NCAM's business scope includes management of proprietary and insurance funds, discretionary mandates, consulting services related to asset management business, and management of other assets permitted by laws and regulations.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

1. the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified or as subsequently waived or varied by agreement of the parties thereto in such agreements;

2. the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares and that such approval or permission have not been revoked;

3. neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated; and

4. no laws shall have been enacted or promulgated by any Governmental Authority (as defined in the relevant cornerstone investment agreement) which prohibit the consummation of the transactions contemplated in the Global Offering or under the relevant cornerstone investment agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting the consummation of such transactions contemplated under the Global Offering or under the relevant cornerstone investment agreement.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company and the Joint Global Coordinators, it will not, whether directly or indirectly, at any time during the period of six months starting from and inclusive of the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the Shares subscribed by it under the relevant cornerstone investment agreement and any shares or securities of our Company derived therefrom (the "**Relevant Shares**") or any interest in any company or entity holding (directly or indirectly) any of the Relevant Shares, or enter into any transactions, directly or indirectly, with the same economic effect as any transaction for such disposal of Relevant Shares or interest, or agree or contract to, or publically announce any intention to enter into, any transaction for such disposal of the Relevant Shares or interest or any transactions with the same economic effect.

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2012, 2013 and 2014 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading biotechnology company in China. According to Frost and Sullivan, we ranked first among PRC companies in terms of sales from mammalian cell-based biopharmaceuticals and ranked second among PRC companies in terms of sales from all biopharmaceuticals in 2013. As a pioneer in the PRC biotechnology industry, we have extensive expertise in developing, manufacturing and marketing biopharmaceuticals. Our two core products, TPIAO and EPIAO, are market leaders in China. TPIAO, our proprietary product, is the only commercialized rhTPO product in the world. EPIAO leads the PRC rhEPO market with a market share of 43.6% by sales in 2013, more than the combined market shares of the next six largest competitors. We have recently acquired Sciprogen, a company with an rhEPO product, SEPO. We believe that the addition of SEPO in our product portfolio will increase our penetration into Grade II and Grade I hospitals, where rhEPO has been experiencing significant growth. In addition, we have eight other products in nephrology, oncology and other therapeutic areas.

Our core products are market leaders in China and have significant growth potential:

- TPIAO is our proprietary product and a National Class I New Drug (國家一類新藥) in China, and has been approved by the CFDA for two indications: the treatment of chemotherapy-induced thrombocytopenia ("**CIT**") and the treatment of immune thrombocytopenia ("**ITP**"). TPIAO has been the only commercialized rhTPO product in the world since its launch in 2006 and has experienced significant sales growth due to increasing patient demand and physician acceptance. We believe TPIAO sales will continue to grow significantly as we further increase hospital penetration, enhance physician awareness and pursue additional therapeutic indications while the PRC government further improves insurance coverage.

- EPIAO is the only rhEPO product approved by the CFDA for three indications: the treatment of anemia associated with chronic kidney disease ("**CKD**"), the treatment of chemotherapy-induced anemia ("**CIA**") and the reduction of allogeneic blood transfusion in surgery patients. EPIAO has consistently been the market leader in the PRC rhEPO market since 2002. In 2014, EPIAO was sold to over 920 Grade III hospitals in China. We recently acquired another rhEPO product, SEPO, which will help broaden our market coverage, especially in lower-tier hospitals, where rhEPO has been experiencing significant growth. We believe that, with EPIAO and SEPO, we will strengthen our leadership in the growing rhEPO market in China.

We have integrated research and development capabilities with a proven track record of success. Our integrated capabilities include the discovery and development of biopharmaceuticals, as well as clinical testing, manufacturing process development and analytic process development for quality control and assurance. We developed TPIAO, the only commercialized rhTPO product in the world. In addition, we collaborate with leading companies and research institutions to develop innovative pharmaceuticals.

We mainly promote and sell biopharmaceuticals with a dedicated in-house sales team and an academic marketing approach. Our in-house sales team of over 600 sales professionals has an average of more than eight years of experience in marketing pharmaceuticals. After many years of extensive academic marketing, we have raised product awareness and established a strong reputation among leading hospitals and medical professionals. In 2014, our products reached over 60% of all Grade III hospitals in China as of November 30, 2014. Our strong relationships with hospitals and medical professionals throughout China help us to effectively promote complementary products and quickly launch new products.

We have accumulated extensive expertise and know-how in manufacturing biopharmaceuticals. We are able to efficiently mass produce biopharmaceuticals while consistently ensuring high quality. In September 2011, the CFDA approved our voluntary upgrade of manufacturing specifications to fully align the product quality of EPIAO with European Pharmacopoeia standards. We also have continuously improved our production efficiency. Our average production batch yields for EPIAO increased more than two-fold during the Track Record Period contributing to noticeable margin improvement. We believe our manufacturing expertise and know-how will further solidify our long term competitiveness.

Our business grew rapidly during the Track Record Period. Our total revenue increased from RMB656.1 million in 2012 to RMB875.4 million in 2013 and further to RMB1,130.9 million in 2014, representing a CAGR of 31.3%. Our net profit was RMB101.9 million, RMB96.1 million and RMB291.7 million in 2012, 2013 and 2014, respectively. Our adjusted net profit increased from RMB130.6 million in 2012 to RMB274.9 million in 2013 and further to RMB411.0 million in 2014, representing a CAGR of 77.4%. Please refer to the paragraph headed "—Non-IFRS Measure" in this section for more information on adjusted net profit.

BASIS OF PRESENTATION

The consolidated financial statements of our Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by International Financial Reporting Interpretation Committee (IFRIC) applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale investments and certain financial assets which have been measured at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Company's accounting policies.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which may be beyond our control. A discussion of the key factors is set out below.

The Growth of the PRC Biopharmaceutical Industry and Wider Acceptance of Biopharmaceutical Treatment in the Therapeutic Areas We Focus on

The market demand for our products is increased by the growth of the biopharmaceutical industry in China. According to IMS, the PRC biopharmaceuticals market grew from RMB11.0 billion in 2009 to RMB27.0 billion in 2013, representing a CAGR of 25.2%, and the broader PRC pharmaceutical market grew from RMB256.6 billion in 2009 to RMB503.3 billion in 2013, representing a CAGR of 18.3%. The growth in the PRC biopharmaceutical industry has been driven by favorable macroeconomic environment, technological advancement and strong government support for the industry.

The growth of the patient population and acceptance of biopharmaceutical treatments in the therapeutic areas we focus on also have contributed to and are expected to continue to increase the demand for our products. We primarily focus on two therapeutic areas, nephrology and oncology. China has a large and increasing population of nephrology and oncology patients. According to Frost and Sullivan, the number of CKD patients in China reached approximately 120 million in 2013, and the number of cancer patients in China reached more than 5 million in 2012. Most of our products, including EPIAO, TPIAO and SEPO, are developed for the treatment of CKD patients and cancer patients undergoing chemotherapy. Benefiting from the growth of our target patient population and the increased acceptance of biopharmaceutical treatments in nephrology and oncology, sales of EPIAO and TPIAO grew rapidly during the Track Record Period.

Please refer to the section headed "Industry Overview" for further details of the anticipated growth of biopharmaceutical industry and the therapeutic areas we focus on.

Our Ability to Increase Sales of Our Products

Sales of our products significantly increased during the Track Record Period. We devote our marketing resources to continuously increasing physician adoption of our products. Sales of our core products have continued to benefit from our extensive coverage of Grade III hospitals. During the Track Record Period, we expanded both our hospital coverage and our average sales per hospital. For example, Grade III hospitals covered by TPIAO increased from 686 in 2012 to 806 in 2014, and average TPIAO procurement value per Grade III hospital increased by 47.4% from 2012 to 2014. In addition to maintaining our dominant position in top-tier markets, we also plan to broaden our market coverage, particularly in lower-tier hospitals, where we believe there is significant growth potential. In 2014, EPIAO was sold to over 1,650 Grade II and lower-tier hospitals, and TPIAO was sold to over 550 Grade II and lower-tier hospitals. To further increase our sales volume, we intend to continue to increase our in-house sales force and expand our network of third-party promoters. We also intend to expand our product portfolio and strengthen our market-leading position. After our recent acquisition of Sciprogen, we currently offer 11 pharmaceutical products.

Our sales are also affected by our ability to effectively compete in the provincial tendering process in China. In each province where we market our products, we are required to participate in the centralized tendering process every year or every few years, during which we and our competitors submit pricing and other product information to local pricing bureaus. The local pricing bureau will, based on the bid price, clinical effectiveness and quality of each product and the reputation of the bidder, select a limited number of products in each product category that are permitted for sale in the relevant province or local district. If we win bids in the centralized tendering process, the bid price of the selected product will become the purchase price of that product to be paid by all state-owned hospitals in the applicable region. Please refer to the section headed "Risk Factors—Risk Related to Our Business and Industry—If we are unable to win bids to sell our products to PRC hospitals in the provincial tendering process, we may lose market share and our revenue and profitability could be adversely affected" in this prospectus for further details of the risks associated with the centralized tendering process. Our bidding strategies generally focus on differentiating our products from our competitors' rather than competing solely on prices. For example, the 10,000 IU EPIAO, our bestselling EPIAO product, was the first rhEPO product of this dosage marketed in China. Currently, our EPIAO and SEPO are two of the only three rhEPO products in China available in the 10,000 IU dosage. As such, they face limited competition and relatively low pricing pressure during the provincial tending process in China. Furthermore, EPIAO is the only rhEPO product in China available in the dosage of 36,000 IU, which targets the treatment of CIA. As a National Class I New Drug and with protection by a PRC patent, TPIAO has no directly competing products in China to date and therefore also faces minimal pricing pressure in the provincial tendering process.

The Entry of Our Products in the National Medical Insurance Catalogue and Provincial Medical Insurance Catalogues

The entry of our products, including EPIAO and TPIAO, in the National Medical Insurance Catalogue and provincial medical insurance catalogues has significantly increased the demand for such products. Under the national medical insurance program in the PRC, patients are entitled to reimbursement of all or a portion of the cost of pharmaceutical products listed in these catalogues. Consequently, the entry in these catalogues will typically increase the demand for these products.

Since 2000, EPIAO has been included in the National Medical Insurance Catalogue for the treatment of anemia associated with CKD. Since 2009, TPIAO has been included in the National Medical Insurance Catalogue, although nationwide coverage is limited to the treatment of CIT in connection with work-related injuries. In addition, as of the Latest Practicable Date, rhEPO was included in eight provincial medical insurance catalogues for the treatment of CIA, and TPIAO was included in seven provincial medical insurance catalogues for the treatment of CIT without work-related injury limitation. We expect that insurance coverage for our products will continue to expand. If rhEPO becomes included in the National Medical Insurance Catalogue for the treatment of CIA and/or the reduction of allogeneic blood transfusion in surgery patients, and/or if TPIAO becomes included in the National Medical Insurance Catalogue without work-related injury limitation, the sales volume of these products would be expected to increase.

At the same time, pharmaceutical products included in the National Medical Insurance Catalogue or provincial 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. Our products became subject to such price controls when they were initially included in the National Medical Insurance Catalogue or provincial medical insurance catalogues. However, when a product is already included in these catalogues, its inclusion in the same catalogues for additional indications will not further increase the extent of price controls to which it is subject, while its sales volume is expected to increase. In September 2012, the NDRC released an updated list of maximum retail selling prices for certain drugs sold in China which resulted in reductions in the maximum selling prices for EPIAO and TPIAO. These reductions did not have a significant adverse effect on our average selling prices. In particular, the retail prices of EPIAO in most provinces were already below the updated price ceilings. Furthermore, although retail prices of EPIAO and TPIAO decreased slightly during the Track Record Period, the effect of these price reductions were more than offset by the decreases in our applicable value-added tax ("**VAT**") rate from 17% to 6% which we started to adopt in April 2013 and further to 3% in July 2014. Because retail prices of our products determined in the provincial tendering processes are inclusive of VAT, a reduction in the applicable VAT rate would increase the pre-tax retail prices and hence the average selling prices of our products. Overall, the average selling prices of EPIAO and TPIAO each increased by 5-6% from 2012 to 2014. During the Track Record Period, our results of operations were not adversely affected by the NDRC price controls. Our gross margin increased steadily from 89.3% in 2012 to 90.5% in 2013 and further to 92.3% in 2014. In May 2015, seven PRC state agencies including the NDRC and the CFDA issued a notice regarding pharmaceutical price reform, pursuant to which government price controls on pharmaceutical products (other than narcotic drugs and certain psychiatric drugs) will be lifted on June 1, 2015. Please refer to the section headed "Business—Sales, Marketing and Distribution—Product Pricing" in this prospectus for further details.

Our Ability to Effectively Control Our Costs and Expenses

Our profitability has benefited from our effective control of cost of sales. Our cost of sales primarily includes raw materials, depreciation, staff costs and packaging costs. We have devoted significant efforts to continuously improving our production efficiency. Our average batch yield for EPIAO increased more than two-fold during the Track Record Period. As a result, we were able to increase our production volumes to meet growing market demand without significantly increasing our raw materials, staff and other costs. As our production efficiency and economies of scale improve, our

cost of sales as a percentage of revenue decreased from 10.7% in 2012 to 9.5% in 2013 and further to 7.7% in 2014. We expect that our cost of sales as a percentage of revenue to slightly increase due to the consolidation of Sciprogen and Sirton, which historically had higher costs of sales as percentages of their respective revenues than we achieved during the Track Record Period. Nevertheless, we expect that our cost of sales as a percentage of revenue to remain at relatively low levels.

Compared to our ability to control our cost of sales, our ability to effectively control our operating expenses, particularly our selling and distribution expenses, will have a greater impact on our profitability. Our operating expenses include selling and distribution expenses, administrative expenses, research and development expenses and other expenses. Selling and distribution expenses are the largest component of our operating expenses, accounting for 46.4%, 38.9% and 38.2% of our revenue in 2012, 2013 and 2014, respectively. Our selling and distribution expenses as a percentage of revenue decreased in 2013 and 2014 as we increased our focus on improving our sales productivity. In the future, we intend to strengthen our marketing efforts and at the same time control our sales expenses and enhance our sales productivity.

Our Ability to Develop and Market New Pharmaceutical Products and Diversify Our Product Portfolio

Our product pipeline currently includes 20 product candidates. Our ability to develop new biopharmaceutical products and to further diversify our product portfolio will have an increasingly important contribution to our business growth. We have a proven track record of successfully researching, developing and commercializing biopharmaceuticals. EPIAO and TPIAO are two market-leading biopharmaceuticals in China that we have independently developed and launched. In addition to our in-house research and development, we also expand and diversify our product pipeline through collaboration with other industry participants and academic institutions. As of the Latest Practicable Date, we had eight product candidates in the nephrology area, six product candidates in the oncology area and several product candidates in the area of auto-immune diseases. We believe that a number of these product candidates have significant market potentials, including our second-generation rhEPO products and four mAb therapeutics. We have also established and plan to expand our pipeline of mAb product candidates through collaboration. We target to launch at least five new products by 2019. Please refer to the section headed "Business—Research and Development" in this prospectus for further detail of our product candidates.

Our business prospects also depend on our ability to successfully market new products as they come out of our product pipeline. We believe that our dedicated in-house sales team and academic marketing approach can help us foster physician awareness and promote adoption of our innovative biopharmaceuticals. Furthermore, we expect that our extensive and expanding hospital coverage and our established relationships with medical professionals, especially in the nephrology and oncology areas, will help us to effectively promote our new products in our covered hospitals and increase sales productivity.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to the Accountants' Report in Appendix I to this prospectus.

Revenue Recognition on the Sale of Pharmaceutical Products

Revenue from sales of pharmaceutical products represents the invoiced value of goods, net of VAT, sales returns, trade discounts and rebates. We recognize revenue when products are delivered to the customer, typically one of our distributors, and the customer takes ownership and assumes risk of loss, provided that we maintain neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Shipping and handling costs that we pay on shipment are included in marketing and distribution expenses. When we sell our products to distributors, they are typically required to inspect the pharmaceutical 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 pharmaceutical products once our distributors have accepted our products for delivery.

Useful Lives and Depreciation of Property, Plant and Equipment

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 the statement of 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. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciate 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 its estimated useful life. The estimated useful lives used for this purpose are as follows:

Freehold land	Not depreciated
Land and buildings	10-45 years
Plant and machinery	5-12 years
Furniture and fixtures	3-10 years
Motor vehicles	4-10 years

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 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 the statement of 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.

The estimate of useful lives and related depreciation charges for property, plant and equipment is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. We will revise the depreciation charges where useful lives are different from those previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expenses in the future periods.

Intangible Assets (other than Goodwill) and Research and Development Costs

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 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 amortized over the useful economic life on the straight-line basis 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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

All research costs are charged to the consolidated statement of profit or loss as incurred. Expenditure incurred on projects to develop new pharmaceutical products is capitalized and deferred only when we can demonstrate the technical feasibility of completing the new product development program so that the new pharmaceutical product will be available for use or sale, our intention to complete the development program and our ability to use or sell the new pharmaceutical product, how the new pharmaceutical product will generate future economic benefits, the availability of resources to complete the development program and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

We generally did not capitalize any of our other R&D costs during the Track Record Period because we did not have any late-stage drug development programs meeting these criteria.

Impairment of Trade and Other Receivables

We determine the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of our customers and other debtors and the current market condition. We reassess the provisions at the end of each financial year end.

Impairment of Financial Assets

We assess at the end of each reporting period 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 reorganization 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 amortized cost

For financial assets carried at amortized cost, we first assess whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If we determine 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, recognized 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 recognized in the statement of 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 realized or has been transferred to our 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 recognized, the previously recognized 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 the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Inventories

Inventories are stated at the lower of cost 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 labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Share-based Compensation

We record share-based compensation costs based on the grant date fair value of the awards over the requisite service period, which is presumed to be the vesting period. For awards with graded

vesting, we recognize compensation costs on a straight-line basis over the requisite service period. We estimate the fair value of each stock option grant using an option-pricing model, which requires us to make certain assumptions related to volatility, expected life, dividend yield and interest-free interest rate.

Deferred Tax Assets and Valuation Allowance

We account for income taxes using the liability method and deferred tax assets and liabilities are recognized for temporary differences. In assessing the realization of deferred tax assets, we have considered whether it is more likely than not based on all sources of positive and negative evidence that some or all of the deferred tax assets are dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Based on the level of projected future taxable income over the periods in which the deferred tax assets are deductible, we have provided a valuation allowance to reduce the amount of deferred tax assets when it is more likely than not that we will not be able to realize the benefits of certain deductible differences.

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 us, liabilities assumed by us to the former owners of the acquiree and the equity interests issued by us in exchange for control of the acquiree. For each business combination, we elect 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 we acquire a business, we assess 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 recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized 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 recognized 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 recognized for non-controlling interests and any fair value of our 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, recognized 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. We perform 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 our 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 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 recognized. 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.

DESCRIPTION OF SELECTED COMPONENTS OF STATEMENT OF PROFIT OR LOSS

The table below sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the periods indicated:

	For the year ended December 31,					
	2012		2013		2014	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Revenue	656,145	100.0	875,396	100.0	1,130,854	100.0
Cost of sales[(1)]	(70,504)	(10.7)	(83,179)	(9.5)	(87,481)	(7.7)
Gross profit	585,641	89.3	792,217	90.5	1,043,373	92.3
Other income and gains	28,416	4.3	24,159	2.8	47,763	4.2
Selling and distribution expenses[(1)]	(304,419)	(46.4)	(340,643)	(38.9)	(431,432)	(38.2)
Administrative expenses[(1)]	(82,091)	(12.5)	(159,207)	(18.2)	(170,770)	(15.1)
Other expenses and losses[(1)(2)]	(96,976)	(14.8)	(103,242)	(11.8)	(98,185)	(8.7)
Finance costs	—	—	—	—	(29,182)	(2.6)
Share of losses of associates	(165)	0.0	(4,576)	(0.5)	(1,383)	(0.1)
Profit before tax	130,406	19.9	208,708	23.8	360,184	31.9
Income tax expense	(28,519)	(4.3)	(112,649)	(12.9)	(68,456)	(6.1)
Profit for the year	101,887	15.5	96,059	11.0	291,728	25.8
Non-IFRS Measure:						
Adjusted net profit[(3)]	130,611	19.9	274,853	31.4	410,991	36.3

Notes:

(1) Including the following amounts of share-based compensation expenses for the periods indicated:

	For the year ended December 31,		
	2012	2013	2014
	(in thousands of RMB)		
Cost of sales	853	116	—
Selling and distribution expenses	720	288	—
Administrative expenses	13,040	67,467	82,528
Research and development expenses	8,231	27,336	22,155
Total	22,844	95,207	104,683

(2) Including research and development expenses of RMB73.6 million, RMB93.5 million and RMB96.4 million in 2012, 2013 and 2014, respectively.

(3) We define adjusted net profit as profit for the year excluding (a) expenses related to our privatization transaction in 2013 (the "**Privatization**"), (b) expenses associated with our investor share-based awards granted in 2013 and 2014 pursuant

to the Investors Rights Agreement, which will be terminated upon Listing, (c) one-off impairments on available-for-sale investments primarily due to a one-off writedown of the common shares we held in a Canada-based company, Aurinia, with which we had a collaborative relationship in research and development, and (d) expenses incurred in relation to the Listing. Expenses related to the Privatization included (i) professional fees and other expenses directly incurred by the Privatization; (ii) expenses associated with accelerated vesting of share-based awards; and (iii) withholding taxes on dividends paid to the Company by our PRC subsidiary to repay bank loans used for the Privatization. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year. Items excluded from adjusted net profit are significant components in understanding and assessing our operating and financial performance. Please refer to the paragraph headed "—Non-IFRS Measure" in this section.

Revenue

We generate substantially all of our revenue from the sales of our biopharmaceutical products. The table below sets forth our sales of goods breakdown by product in absolute amounts and as percentages of our total sales of goods for the periods indicated:

	For the year ended December 31,					
	2012		2013		2014	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
PRC Sales						
EPIAO	372,912	55.7	478,719	53.9	594,056	52.1
TPIAO	210,391	31.4	314,159	35.4	444,676	39.0
IV Iron Sucrose	34,268	5.1	46,124	5.2	64,737	5.7
Intefen	4,649	0.7	4,896	0.6	5,820	0.5
Inleusin	2,963	0.4	3,660	0.4	3,624	0.3
Others[(1)]	4,726	0.7	919	0.1	2,505	0.2
Export Sales	40,040	6.0	39,327	4.4	24,761	2.2
Total sales of goods	669,949	100.0	887,804	100.0	1,140,179	100.0
Less business tax and government surcharges	(13,804)	(2.1)	(12,408)	(1.4)	(9,325)	(0.8)
Revenue	656,145	97.9	875,396	98.6	1,130,854	99.2

Note:

(1) Including sales of Gan Xin and other products sourced from our suppliers, as well as revenue from our operation of dialysis centers, which we discontinued in 2012 after the establishment of DaVita JV, and sales of dialysis consumables; excluding sales of SEPO and Sparin, which we acquired on December 31, 2014.

During the Track Record Period, TPIAO experienced the fastest sales growth among our products. Sales of TPIAO in China increased from RMB210.4 million in 2012 to RMB444.7 million in 2014, representing a CAGR of 45.4%. During the Track Record Period, EPIAO sales also grew rapidly and continued to generate the largest sales among our products. Sales of EPIAO in China increased from RMB372.9 million in 2012 to RMB594.1 million in 2014, representing a CAGR of

26.2%. Sales of our third largest product, IV Iron Sucrose, also increased rapidly during the Track Record Period. We expect sales of EPIAO and TPIAO to continue to comprise a substantial portion of our sales of goods in the near future, and our business will therefore remain sensitive to the sales volume and pricing levels of EPIAO and TPIAO. Please refer to the section headed "Risk Factors—Risk Related to Our Business and Industry—We are largely dependent on sales of our two core products, EPIAO and TPIAO" in this prospectus for further details of risks associated with our reliance on these two core products.

Cost of Sales

Our cost of sales consists of costs of raw materials, staff costs, depreciation, packaging costs, costs of distributed products and other miscellaneous costs. The table below sets forth a breakdown of our cost of sales in absolute amounts and as percentages of our total cost of sales for the periods indicated:

	For the year ended December 31,					
	2012		2013		2014	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Raw materials	12,952	18.4	17,736	21.3	14,503	16.6
Staff costs	12,849	18.2	14,279	17.2	15,889	18.2
Depreciation	14,252	20.2	16,412	19.7	18,660	21.3
Packaging costs	7,764	11.0	12,405	14.9	14,403	16.5
Costs of distributed products	8,566	12.1	8,657	10.4	9,906	11.3
Others	14,121	20.0	13,690	16.5	14,120	16.1
Total	70,504	100.0	83,179	100.0	87,481	100.0

Our costs of raw materials primarily consist of costs of basic and active pharmaceutical ingredients, as well as other supplies such as chromatography resins and columns. Our staff costs include salaries, benefits and share-based compensation for employees involved in the production of our products. Packaging cost consists of the cost of packaging and other materials, including glass vials, external packaging materials and printed instructions. Depreciation mainly relates to plants and equipment used for the production of our products. Costs of distributed products include costs at which we purchase our in-licensed pharmaceutical products, including IV Iron Sucrose, Gan Xin and certain export products, as well as dialysis consumables. Other costs include utilities, maintenance and other production overheads.

We purchase raw materials on an as-needed basis at market prices. There were no overall discernable trends in our raw material costs during the Track Record Period. Our costs of sales accounted for only 10.7%, 9.5% and 7.7% of our revenue, and our costs of raw materials accounted for only 18.4%, 21.3% and 16.6% of our cost of sales, in 2012, 2013 and 2014, respectively. Therefore, fluctuations in the market prices of raw materials did not have a significant impact on our business or results of operations.

Gross Profit and Gross Profit Margin

Gross profit represents revenue less cost of sales. In 2012, 2013 and 2014, our gross profit was RMB585.6 million, RMB792.2 million and RMB1,043.4 million, respectively. Our gross profit margin steadily increased from 89.3% in 2012 to 90.5% in 2013 and further to 92.3% in 2014.

Other Income and Gains

Our other income and gains primarily comprise bank interest income, government grants and other miscellaneous income. In 2012, 2013 and 2014, our other income and gains were RMB28.4 million, RMB24.2 million and RMB47.8 million, respectively.

In 2012, 2013 and 2014, our bank interest income was RMB25.7 million, RMB17.7 million and RMB24.1 million, respectively.

In 2012, 2013 and 2014, we recorded government grants income in the amounts of RMB0.9 million, RMB3.0 million and RMB7.0 million, respectively. The government grants we received during the Track Record Period were grants from local PRC government authorities for our contribution to the development of the local pharmaceutical industry. There were no unfulfilled conditions or other contingencies attached to the government grants.

In 2014, we received license right income in the amount of RMB4.0 million which represented license fees we received for a license relating to pegsiticase we granted to a U.S.-based company, and a license relating to TPIAO we granted to an India-based company.

In 2014, we recognized a gain of RMB9.9 million on disposal of Jiangsu Sunshine. Please refer to the section headed "History, Reorganization and Corporate Structure—Acquisitions, Investments and Disposal—Disposal of Jiangsu Sunshine" in this prospectus.

Selling and Distribution Expenses

Our selling and distribution expenses consist of marketing and promotion expenses, staff costs, transportation expenses, consulting fees and other miscellaneous selling and distribution expenses. The table below sets forth a breakdown of our selling and distribution expenses in absolute amounts and as percentages of our total selling and distribution expenses for the periods indicated:

	For the year ended December 31,					
	2012		2013		2014	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Marketing and promotion expenses	180,978	59.5	210,385	61.8	258,301	59.9
Staff costs	78,046	25.6	89,259	26.2	114,282	26.5
Transportation expenses	4,671	1.5	6,097	1.8	7,192	1.7
Consulting fees	3,564	1.2	6,632	1.9	10,146	2.4
Others	37,160	12.2	28,270	8.3	41,511	9.5
Total	304,419	100.0	340,643	100.0	431,432	100.0

Our marketing and promotion expenses primarily consist of expenses associated with sponsoring and organizing academic conferences, clinical studies and other academic marketing activities, including related travelling expenses and product promotion expenses. Our staff costs include salaries, benefits and share-based compensation for our sales and marketing staff. Transportation expenses are expenses in connection with transporting our products to our customers. Consulting fees primarily include fees we pay for our computerized marketing system and certain industry data. Our other selling and distribution expenses primarily include hospitality expenses, telecommunication expenses, other general office expenses as well as estimated accrued selling and distribution expenses.

Administrative Expenses

Our administrative expenses consist of staff costs, professional fees, depreciation and amortization, property expenses, share-based compensation, and other miscellaneous administrative expenses. The table below sets forth a breakdown our selling and distribution expenses in absolute amounts and as percentages of our total administrative expenses for the periods indicated:

	For the year ended December 31,					
	2012		2013		2014	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Staff costs	19,771	24.1	18,842	11.8	21,119	12.4
Professional fees	17,632	21.5	32,926	20.7	28,659	16.8
Depreciation and amortization	6,499	7.9	8,173	5.1	7,264	4.3
Property expenses	2,289	2.8	5,687	3.6	4,562	2.7
Share-based compensation	13,040	15.9	67,467	42.4	82,528	48.3
Others	22,860	27.8	26,112	16.4	26,638	15.5
Total	82,091	100.0	159,207	100.0	170,770	100.0

Our staff costs include salaries and benefits for our management and administrative staff. Our professional fees include legal, auditing fees and consulting fees. Depreciation and amortization mainly relate to offices and equipment used by our administrative staff. Our property expenses include management and maintenance expenses of our properties used by our administrative staff. Our other administrative expenses primarily include general travelling expenses, insurance expenses and general office expenses. Share-based compensation was substantially higher in 2013 and 2014 compared to 2012 due to accelerated vesting of share-based awards during the Privatization in 2013 and significant share-based awards granted on August 31, 2013 and August 31, 2014.

Other Expenses and Losses

Our other expenses and losses primarily consist of research and development expenses. In 2012, 2013 and 2014, our other expenses and losses amounted to RMB97.0 million, RMB103.2 million and RMB98.2 million, respectively, of which RMB73.6 million, RMB93.5 million and RMB96.4 million, respectively, were research and development expenses.

In 2012, our other expenses and losses included impairment of available-for-sale securities of RMB20.6 million. The impairment was related to a writedown of the common shares we held in a Canada-based company, Aurinia, with which we had a collaborative relationship in research and development. The writedown was due to a decline deemed to be other-than-temporary in the market value of these shares.

Finance Costs

We did not have finance costs in 2012 or 2013. In 2014, our finance costs were RMB29.2 million and consisted of interest on short-term bank loans we borrowed in January, October and December 2014 to fund our dividend payment, supplement our working capital and finance our acquisitions of Sciprogen and Sirton.

Share of Losses of Associates

Our share of losses of associates consists of our proportional share of the losses of Ascentage Shanghai and Ascentage Pharma, two research companies, in respect of our 40% equity interest, and of DaVita JV in respect of our 30% equity interest. In 2012, 2013 and 2014, our total share of losses of these associates was RMB0.2 million, RMB4.6 million and RMB1.4 million, respectively.

Income Tax Expense

Cayman Islands

We are an exempt company with limited liability incorporated in the Cayman Islands. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

Hong Kong

Our subsidiary Hongkong Sansheng has been subject to a profit tax of 16.5% since its incorporation on November 3, 2009. No provision for Hong Kong profits tax was made as we had no estimated assessable profits arising in Hong Kong during the Track Record Period.

PRC

Our income tax expense mainly consists of PRC enterprise income tax and withholding dividend tax. Except for certain preferential treatment available to certain of our subsidiaries, our PRC subsidiaries are subject to income tax at a rate of 25% on their respective taxable income. Shenyang Sunshine is qualified as a High and New Technology Enterprise, and is therefore subject to a preferential income tax rate of 15%. Sciprogen's qualification as a High and New Technology Enterprise expired at the end of 2014, and we plan to renew Sciprogen's qualification during 2015. If the renewal is successful, Sciprogen would enjoy a preferential income tax rate of 15% from 2015 to 2017. Please refer to the section headed "Risk Factors—Our business benefits from certain preferential tax treatments, the expiration of or changes to which could adversely affect our profitability" in this prospectus for further details.

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC after January 1, 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. No deferred income tax liability on withholding tax was accrued as of December 31, 2012. In 2013, deferred income tax liability on withholding tax of RMB65.0 million was charged to our consolidated statement of profit or loss. In 2014, the deferred tax liability on withholding tax of RMB65.0 million was realized and actually paid with no impact on our income tax expenses, and new deferred tax liability on withholding tax of RMB3.7 million was charged to our consolidated statement of profit or loss.

As a result of the above, our effective income tax rate in 2012, 2013 and 2014 was 21.9%, 54.0% and 19.0%, respectively. We have paid all relevant taxes in accordance with tax regulations and do not have any disputes or unresolved tax issues with the relevant tax authorities.

NON-IFRS MEASURE

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance by excluding the impact of items that we do not consider indicative of our ordinary operating performance. We also believe that this non-IFRS measure provides additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods.

Adjusted Net Profit

We define adjusted net profit as profit for the year excluding (a) expenses related to the Privatization, (b) expenses associated with our investor share-based awards granted in 2013 and 2014 pursuant to the Investors Rights Agreement, which will be terminated upon Listing, (c) one-off impairments on available-for-sale investments primarily due to a one-off writedown of the common shares we held in a Canada-based company, Aurinia, with which we had a collaborative relationship in research and development, and (d) expenses incurred in relation to the Listing.

Expenses related to the Privatization included (i) professional fees and other expenses directly incurred by the Privatization; (ii) expenses associated with accelerated vesting of share-based awards; and (iii) withholding taxes on dividends paid to the Company by our PRC subsidiary to repay bank loans used for the Privatization.

The term of adjusted net profit is not defined under IFRS. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact our net profit for the relevant year. Items excluded from adjusted net profit are significant components in understanding and assessing our operating and financial performance. In light of the foregoing limitations for this non-IFRS measure, when assessing our operating and financial performance, you should not consider adjusted net profit in isolation or as a substitute for our profit for the year, operating profit or any

other operating performance measure that is calculated in accordance with IFRS. In addition, because this non-IFRS measure may not be calculated in the same manner by all companies, it may not be comparable to other similar titled measures used by other companies. The following table reconciles our adjusted net profit for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the periods indicated:

	For the year ended December 31,		
	2012	2013	2014
	(in thousands of RMB)		
Profit for the year	101,887	96,059	291,728
Privatization-related expenses			
Professional fees and other direct expenses	8,114	26,050	—
Acceleration of share-based awards	—	62,043	—
Withholding taxes on dividends	—	65,000	—
Investor share-based awards	—	25,701	104,683
Impairment on available-for-sale investments	20,610	—	—
Listing expenses	—	—	14,580
Adjusted net profit (unaudited)	130,611	274,853	410,991

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue

Our revenue increased by 29.2% from RMB875.4 million in 2013 to RMB1,130.9 million in 2014, primarily as a result of significant increases in the sales of our core products, EPIAO and TPIAO, as well as IV Iron Sucrose.

Our sales of EPIAO in China increased by 24.1% from RMB478.7 million in 2013 to RMB594.1 million in 2014. The increase primarily resulted from increased sales volume, which in turn was primarily driven by the increasing demand for rhEPO products in China and EPIAO's continued dominance in the PRC rhEPO market. Through our marketing efforts, we were able to capture a large portion of the expanding PRC rhEPO market which benefited from the further penetration of dialysis treatment for CKD patients. Compared to 2013, the number of Grade III hospitals covered by EPIAO increased by 44 to 926, and average EPIAO procurement value per Grade III hospital increased by 7.7% in 2014. At the same time, the average selling prices for EPIAO increased slightly from 2013 to 2014 due to a decrease in applicable VAT rate from 17% to 6% which we started to adopt in April 2013 and further to 3% in July 2014. Because retail prices of our products determined in the provincial tendering process are inclusive of VAT, a reduction in VAT rate increased the pre-tax retail prices and hence the average selling prices of our products.

Our sales of TPIAO in China increased by 41.5% from RMB314.2 million in 2013 to RMB444.7 million in 2014. The increase primarily resulted from increased sales volume, which in turn was mainly driven by an increase in awareness and recommendation of TPIAO among medical professionals. Compared to 2013, the number of Grade III hospitals covered by TPIAO increased by 77 to 806, and average TPIAO procurement value per Grade III hospital increased by 17.7% in 2014. As in the case of EPIAO, the average selling prices for TPIAO increased slightly from 2013 to 2014 due to a decrease in applicable VAT rate.

Our sales of IV Iron Sucrose in China increased by 40.4% from RMB46.1 million in 2013 to RMB64.7 million in 2014, primarily due to the increase in market demand for our product through our marketing efforts and the extensive coverage of our in-house sales force in the nephrology area.

Cost of sales

Our cost of sales increased by 5.2% from RMB83.2 million in 2013 to RMB87.5 million in 2014. Our costs of raw materials decreased by 18.2% from RMB17.7 million in 2013 to RMB14.5 million in 2014, primarily due to continuous improvement in our production process and know-how which resulted in greater production efficiency. In particular, our average batch yield for EPIAO increased significantly in 2014, which allowed us to manufacture the same amount of EPIAO with substantially lower amount of raw materials. As a percentage of revenue, our cost of sales decreased from 9.5% in 2013 to 7.7% in 2014 primarily due to our improved production efficiency, economies of scale and the decrease in applicable VAT rate.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 31.7% from RMB792.2 million in 2013 to RMB1,043.4 million in 2014, and our gross profit margin increased from 90.5% in 2013 to 92.3% in 2014.

Other income and gains

Our other income and gains increased by 97.7% from RMB24.2 million in 2013 to RMB47.8 million in 2014, which primarily reflected an increase in gain on disposal of subsidiaries from nil in 2013 to RMB9.9 million in 2014 due to our disposal of Jiangsu Sunshine in November 2014, an increase in bank interest income from RMB17.7 million in 2013 to RMB24.1 million in 2014 primarily due to our increased cash holdings resulted from our growing business operations and the short-term bank loans we borrowed in 2014, an increase in license right income from nil in 2013 to RMB4.0 million in 2014 which represented license fees we received for a license relating to pegsiticase we granted to a U.S.-based company and a license relating to TPIAO we granted to an India-based company, and an increase in government grants from RMB3.0 million in 2013 to RMB7.0 million in 2014.

Selling and distribution expenses

Our selling and distribution expenses increased by 26.7% from RMB340.6 million in 2013 to RMB431.4 million in 2014, primarily attributable to (1) a 22.8% increase in marketing and promotion

expenses from RMB210.4 million in 2013 to RMB258.3 million in 2014 primarily due to our increased marketing efforts, and (2) a 28.0% increase in staff costs from RMB89.3 million in 2013 to RMB114.3 million in 2014 primarily due to increased incentive payment as our revenue increased in 2014 and an increase in the number of our sales and marketing employees. However, selling and distribution expenses as a percentage of our revenue decreased from 38.9% in 2013 to 38.2% in 2014.

Administrative expenses

Our administrative expenses increased by 7.3% from RMB159.2 million in 2013 to RMB170.8 million in 2014, primarily due to a 22.3% increase in share-based compensation from RMB67.5 million in 2013 to RMB82.5 million in 2014, primarily due to the significant share-based awards granted on August 31, 2013 and August 31, 2014.

Other expenses and losses

Overall, our other expenses and losses decreased by 4.9% from RMB103.2 million in 2013 to RMB98.2 million in 2014, which primarily reflected a decrease in provision for impairment of other receivables from RMB5.7 million in 2013 to nil in 2014. We recognized the impairment of certain receivables due from DaVita JV in 2013, which amount shall be deductible from our future investment in DaVita JV.

Our research and development expenses increased by 3.1% from RMB93.5 million in 2013 to RMB96.4 million in 2014, primarily due to an increase of RMB10.6 million in upfront licensing fees paid to our research and development partners as we entered into five new licensing agreements in 2014, partially offset by a decrease of RMB9.7 million in the amortization of Gan Xin, which was fully amortized in 2013.

Finance costs

Our finance costs increased from nil in 2013 to RMB29.2 million in 2014 which was attributable to interest on short-term bank loans we borrowed in January, October and December 2014 to fund our dividend payment, supplement our working capital and finance our acquisitions of Sciprogen and Sirton.

Income tax expense

Our income tax expense decreased by 39.2% from RMB112.6 million in 2013 to RMB68.5 million in 2014, primarily because withholding taxes on dividends paid to the Company by our PRC subsidiary of RMB65.0 million were charged to our consolidated statement of profit or loss in 2013. The decrease in our income tax expense was partially offset by increased PRC income tax due to a 72.6% increase in our profit before tax from RMB208.7 million in 2013 to RMB360.2 million in 2014.

Profit for the year

As a result of the foregoing, our profit for the year increased by 203.7% from RMB96.1 million in 2013 to RMB291.7 million in 2014.

Adjusted net profit

Our adjusted net profit increased by 49.5% from RMB274.9 million in 2013 to RMB411.0 million in 2014. Please refer to the paragraph headed "—Non-IFRS Measure" in this section.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue

Our revenue increased by 33.4% from RMB656.1 million in 2012 to RMB875.4 million in 2013, primarily as a result of significant increases in the sales of our core products, EPIAO and TPIAO, as well as IV Iron Sucrose.

Our sales of EPIAO in China increased by 28.4% from RMB372.9 million in 2012 to RMB478.7 million in 2013. The increase primarily resulted from increased sales volume, which in turn was primarily driven by the increasing demand for rhEPO products in China and EPIAO's continued dominance in the PRC rhEPO market. Through our marketing efforts, we were able to capture a large portion of the expanding PRC rhEPO market which benefited from the further penetration of dialysis treatment for CKD patients and broadened insurance coverage. During 2012, rhEPO products became included in two additional provinces, Liaoning and Jilin, for their oncology indication. The positive impact of product's inclusion in a provincial medical insurance catalogue on its sales typically has a latency of several months to a year. Therefore, the entry of rhEPO products in the additional provinces in 2012 helped increase the demand for EPIAO in 2013. At the same time, the average selling prices for EPIAO increased slightly in 2013 as compared to 2012 due to a decrease in applicable VAT rate from 17% to 6% which we started to adopt in April 2013. Because retail prices of our products determined in the provincial tendering process are inclusive of VAT, a reduction in VAT rate increased the pre-tax retail prices and hence the average selling prices of our products.

Our sales of TPIAO in China increased by 49.3% from RMB210.4 million in 2012 to RMB314.2 million in 2013. The increase primarily resulted from increased sales volume, which in turn was mainly driven by an increase in awareness and recommendation of TPIAO among medical professionals and expanded insurance coverage. During 2012, TPIAO became included in two additional provinces, Liaoning and Jilin, for its oncology indication without work-related injury limitation, which helped increase the demand for TPIAO in 2013. At the same time, as in the case of EPIAO, the average selling prices for TPIAO increased slightly in 2013 as compared to 2012 due to a decrease in applicable VAT rate.

Our sales of IV Iron Sucrose in China increased by 34.6% from RMB34.3 million in 2012 to RMB46.1 million in 2013, primarily due to the increase in market demand for our product through our marketing efforts and the extensive coverage of our in-house sales force in the nephrology area.

Cost of sales

Our cost of sales increased by 18.0% from RMB70.5 million in 2012 to RMB83.2 million in 2013, primarily attributable to a 36.9% increase in costs of raw materials from RMB13.0 million in 2012 to RMB17.7 million in 2013 and a 59.8% increase in packaging costs from RMB7.8 million in 2012 to RMB12.4 million in 2013. The increases in costs of raw materials and packaging costs were due to several reasons, including the increase in our production volume, increases in the prices of raw materials and packaging materials, and input VAT no longer being deductible from April 2013 as we started to opt for a different applicable VAT rate. As a percentage of revenue, our cost of sales decreased from 10.7% in 2012 to 9.5% in 2013 primarily due to improved economies of scale.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 35.3% from RMB585.6 million in 2012 to RMB792.2 million in 2013, and our gross profit margin increased from 89.3% in 2012 to 90.5% in 2013.

Other income and gains

Our other income and gains decreased by 15.0% from RMB28.4 million in 2012 to RMB24.2 million in 2013, which primarily reflected a decrease in bank interest income from RMB25.7 million in 2012 to RMB17.7 million in 2013 primarily due to a decrease in our cash holdings following significant cash outflows during the Privatization in 2013, and partially offset by an increase in government grants from RMB0.9 million in 2012 to RMB3.0 million in 2013.

Selling and distribution expenses

Our selling and distribution expenses increased by 11.9% from RMB304.4 million in 2012 to RMB340.6 million in 2013, primarily attributable to a 16.2% increase in marketing and promotion expenses from RMB181.0 million in 2012 to RMB210.4 million in 2013 primarily due to our increased marketing efforts particularly in academic promotion, and a 14.4% increase in staff costs from RMB78.0 million in 2012 to RMB89.3 million in 2013 primarily due to increased incentive payment as our revenue increased in 2013. However, selling and distribution expenses as a percentage of our revenue decreased from 46.4% in 2012 to 38.9% in 2013, primarily due to our effective control of selling and distribution, improved sales productivity and economies of scale.

Administrative expenses

Our administrative expenses increased by 93.9% from RMB82.1 million in 2012 to RMB159.2 million in 2013, primarily attributable to an increase in share-based compensation from RMB13.0 million in 2012 to RMB67.5 million in 2013 and an increase in professional fees from RMB17.6 million in 2012 to RMB32.9 million in 2013. The increase in share-based compensation was primarily due to accelerated vesting of share-based awards during the Privatization in 2013 and new share-based awards granted on August 31, 2013. The significant increase in professional fees was also primarily attributable to the Privatization. Please refer to "History, Reorganization and Corporate Structure" for further details of the Privatization.

Other expenses and losses

Overall, our other expenses and losses increased by 6.5% from RMB97.0 million in 2012 to RMB103.2 million in 2013, primarily attributable to a significant increase in research and development expense, partially offset by a decrease in impairment on available-for-sale investments from RMB20.6 million in 2012 to nil in 2013. The impairment recognized in 2012 was related to a writedown of the common shares we held in Aurinia.

Our research and development expenses increased by 27.1% from RMB73.6 million in 2012 to RMB93.5 million in 2013, primarily due to an increase of RMB19.1 million in share-based compensation related to awards granted on August 31, 2013.

Finance costs

Our finance costs were nil in both 2013 and 2012.

Income tax expense

Our income tax expense increased from RMB28.5 million in 2012 to RMB112.6 million in 2013, primarily because withholding taxes on dividends paid to the Company by our PRC subsidiary of RMB65.0 million were charged to our consolidated statement of profit or loss for 2013. The increase in our income tax expense was also attributable to increased PRC income tax due to a 60.0% increase in our profit before tax from RMB130.4 million in 2012 to RMB208.7 million in 2013.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 5.7% from RMB101.9 million in 2012 to RMB96.1 million in 2013.

Adjusted net profit

Our adjusted net profit increased by 110.4% from RMB130.6 million in 2012 to RMB274.9 million in 2013. Please refer to the paragraph headed "—Non-IFRS Measure" in this section.

RECENT DEVELOPMENTS

The following table sets out our revenue, cost of sales and gross profit for the three months ended March 31, 2014 and 2015.

The financial information for the three months ended March 31, 2014 and 2015 as set forth in the table below are extracted from our unaudited interim condensed consolidated financial statements for the three months ended March 31, 2014 and 2015, respectively. Our unaudited interim condensed consolidated financial statements for the three months ended March 31, 2015 have been reviewed by our reporting accountants in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued

by the International Auditing and Assurance Standards Board. Our historical financial results may not be indicative of our full year or quarterly results for any future periods. Please refer to other parts of this section and the section headed "Risk Factors" in this prospectus for information regarding trends and other factors that may affect our results of operations.

	For the three months ended March 31,			
	2014		2015	
	RMB	%	RMB	%
	(in thousands, except percentages) (unaudited)			
Revenue	274,574	100.0	400,564	100.0
Cost of sales	(22,311)	(8.1)	(50,457)	(12.6)
Gross profit	252,263	91.9	350,107	87.4

Revenue

Our revenue increased by 45.9% from RMB274.6 million in the three months ended March 31, 2014 to RMB400.6 million in the three months ended March 31, 2015. The increase was mainly due to the growth in the sales of our core products and the consolidation of Sciprogen's and Sirton's revenues in the three months ended March 31, 2015.

Sales of TPIAO in China experienced particularly significant growth, increasing by 51.1% from RMB102.9 million in the three months ended March 31, 2014 to RMB155.5 million in the three months ended March 31, 2015. Sales of EPIAO in China increased by 22.4% from RMB151.7 million in the three months ended March 31, 2014 to RMB185.6 million in the three months ended March 31, 2015, and sales of IV Iron Sucrose in China increased by 21.7% from RMB14.7 million in the three months ended March 31, 2014 to RMB18.0 million in the three months ended March 31, 2015.

In addition, Sciprogen and Sirton, which we acquired in December 2014, contributed RMB19.3 million and RMB13.5 million, respectively, of revenue in the three months ended March 31, 2015.

Cost of Sales

Our cost of sales increased by 126.2% from RMB22.3 million in the three months ended March 31, 2014 to RMB50.5 million in the three months ended March 31, 2015. In particular, raw materials increased from RMB4.0 million in the three months ended March 31, 2014 to RMB13.5 million in the three months ended March 31, 2015; staff costs increased from RMB3.1 million in the three months ended March 31, 2014 to RMB9.5 million in the three months ended March 31, 2015; and cost of distributed products increased from RMB2.0 million in the three months ended March 31, 2014 to RMB5.4 million in the three months ended March 31, 2015. The increase in our cost of sales, particularly raw materials and staff costs, was mainly due to the consolidation of Sciprogen's and Sirton's costs of sales in the three months ended March 31, 2015. The increase in our cost of distributed products was mainly due to costs associated with three new in-licensed products which we started selling in December 2014.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 38.8% from RMB252.3 million in the three months ended March 31, 2014 to RMB350.1 million in the three months ended March 31, 2015. However, our gross margin decreased from 91.9% in the three months ended March 31, 2014 to 87.4% in the three months ended March 31, 2015 mainly because Sciprogen and Sirton historically had lower gross margins than we achieved during the Track Record Period, which diluted our Group's gross margin in the three months ended March 31, 2015.

SENSITIVITY ANALYSIS ON AVERAGE SELLING PRICES OF CORE PRODUCTS

The average selling prices of our products are primarily affected by competition in the provincial tendering processes, government price controls and the applicable VAT rate. The following table demonstrates the sensitivity analysis of the impact on our profit for the periods indicated if a 3% change in the average selling prices of our core products had occurred, assuming all other variables had remained unchanged:

	For the year ended December 31,		
	2012	2013	2014
	(in thousands of RMB, except percentages)		
Revenue			
Actual revenue	656,145	875,396	1,130,854
Assuming 3% increase/(decrease) in the average selling price of EPIAO			
Amount change	11,187/(11,187)	14,362/(14,362)	17,822/(17,822)
Percentage change	1.7%/(1.7%)	1.6%/(1.6%)	1.6%/(1.6%)
Assuming 3% increase/(decrease) in the average selling price of TPIAO			
Amount change	6,312/(6,312)	9,425/(9,425)	13,340/(13,340)
Percentage change	1.0%/(1.0%)	1.1%/(1.1%)	1.2%/(1.2%)
Gross Profit			
Actual gross profit	585,641	792,217	1,043,373
Assuming 3% increase/(decrease) in the average selling price of EPIAO			
Amount change	9,985/(9,985)	12,997/(12,997)	16,443/(16,443)
Percentage change	1.7%/(1.7%)	1.6%/(1.6%)	1.6%/(1.6%)
Assuming 3% increase/(decrease) in the average selling price of TPIAO			
Amount change	5,634/(5,634)	8,529/(8,529)	12,308/(12,308)
Percentage change	1.0%/(1.0%)	1.1%/(1.1%)	1.2%/(1.2%)

	For the year ended December 31,		
	2012	2013	2014
	(in thousands of RMB, except percentages)		
Net Profit			
Actual net profit	101,887	96,059	291,728
Assuming 3% increase/(decrease) in the average selling price of EPIAO			
Amount change	1,357/(1,357)	725/(725)	3,724/(3,724)
Percentage change	1.3%/(1.3%)	0.8%/(0.8%)	1.3%/(1.3%)
Assuming 3% increase/(decrease) in the average selling price of TPIAO			
Amount change	765/(765)	476/(476)	2,788/(2,788)
Percentage change	0.8%/(0.8%)	0.5%/(0.5%)	1.0%/(1.0%)

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, we have funded our cash requirements principally from cash generated from our operations. We had cash and cash equivalents of RMB160.2 million, RMB268.2 million and RMB107.6 million as of December 31, 2012, 2013 and 2014, respectively. We generally deposit our excess cash in interest bearing bank accounts and current accounts, or invest in short-term low-risk available-for-sale securities, such as wealth management products offered by PRC banks. Such wealth management products are unsecured with no guaranteed return amounts. However, we control our financial risks by purchasing wealth management products with moderate returns, minimal risks of loss and original maturity of generally less than six months and only from major PRC banks. Before purchasing such products, our accountants are required to prepare an excess cash management plan to be approved by executives at various levels including our director of financial department, Mr. Chen Yongfu, our chief financial officer, Mr. Tan, and our president and chief executive officer, Dr. Lou. Mr. Chen has served our Company as a financial officer since 2003. Mr. Tan has extensive experience in the financial industry. Please refer to the section headed "Directors and Senior Management" in this prospectus.

During the Track Record Period, our principal uses of cash have been for the funding of required working capital and other recurring expenses to support the expansion of our operations. In 2013 and 2014, significant cash was also used in transactions in connection with the Privatization, our acquisitions of Sciprogen and Sirton and the Listing. We plan to continue to use our cash to support the expansion of our operations.

Cash Flows

The following table sets forth our cash flows for the periods indicated:

	For the year ended December 31,		
	2012	2013	2014
	(in thousands of RMB)		
Net cash flows from operating activities	144,449	217,254	386,589
Net cash flows (used in)/provided by investing activities	(201,520)	481,193	(289,217)
Net cash flows (used in)/provided by financing activities	501	(587,961)	(250,390)
Net (decrease)/increase in cash and cash equivalents	(56,570)	110,486	(153,018)
Effect of foreign exchange rate changes on cash, net	(357)	(2,502)	(7,572)
Cash and cash equivalents at beginning of the year	217,145	160,218	268,202
Cash and cash equivalents at the end of the year	160,218	268,202	107,612

Net Cash Flows from Operating Activities

During the Track Record Period, we derived our cash inflows from operating activities primarily from the sales of our biopharmaceutical products. Our cash flows from operating activities can be significantly affected by factors such as the timing of receipt of trade receivables and our payments of trade payables to suppliers during the regular course of business.

In 2014, our net cash flows from operating activities were RMB386.6 million, which were primarily attributable to our profit before tax of RMB360.2 million, as adjusted to add back share-based compensation of RMB104.7 million, finance costs of RMB29.2 million, depreciation and amortization of RMB34.3 million and a net decrease in operating assets of RMB25.9 million, and offset by income tax paid of RMB133.4 million, interest income of RMB24.1 million and a gain on disposal of Jiangsu Sunshine of RMB9.9 million. The decrease in operating assets primarily reflected an increase of RMB107.5 million in other payables and accruals primarily attributable to payables related to our acquisitions of Sciprogen and Sirton and payables related to the Listing, partially offset by an increase of RMB59.3 million in trade and notes receivables primarily due to the growth of our business.

In 2013, our net cash flows from operating activities were RMB217.3 million, which were primarily attributable to our profit before tax of RMB208.7 million, as adjusted to add back share-based compensation cost of RMB95.2 million and depreciation and amortization of RMB40.8 million, and offset by income tax paid of RMB49.2 million, interest income of RMB17.7 million and a net increase in operating assets of RMB71.3 million. The increase in operating assets primarily reflected an increase of RMB52.3 million in trade and notes receivables and an increase of RMB15.5 million in inventories, primarily due to the growth of our business.

In 2012, our net cash flows from operating activities were RMB144.4 million, which were primarily attributable to our profit before tax of RMB130.4 million, as adjusted to add back depreciation and amortization of RMB31.1 million, share-based compensation cost of RMB22.8 million, impairment of available-for-sale securities of RMB20.6 million, and offset by income tax paid of RMB35.6 million and interest income of RMB25.7 million. The impairment of available-for-sale securities was related to a writedown of the common shares we held in Aurinia due to a decline deemed to be other-than-temporary in the market value of these shares. There was little net change in our operating assets in 2012, primarily reflecting an increase of RMB20.2 million in other payables and accruals due to the expansion in our business operations and accrued liabilities to our distributors to partially compensate them for the price decreases of our products in 2012, and a decrease of RMB6.0 million in amounts due from related parties relating to our product development programs in collaboration with Ascentage Shanghai and Ascentage Jiangsu, offset by an increase of RMB12.9 million in trade, notes and other receivables and an increase of RMB8.1 million in inventories primarily due to the growth of our business.

Net Cash Flows from Investing Activities

In 2014, net cash flows used in investing activities were RMB289.2 million, which were mainly attributable to cash used for our acquisitions of Sciprogen and Sirton of RMB378.2 million and net purchase of available-for-sale investments of RMB137.4 million. Our cash outflow was partially offset by net disposal of non-pledged time deposits of RMB245.9 million to supplement our working capital and finance our acquisitions of Sciprogen and Sirton.

In 2013, net cash flows provided by investing activities were RMB481.2 million, which were mainly attributable to proceeds from sale of available-for-sale securities of RMB302.3 million, and net disposals of non-pledged time deposits of RMB196.6 million. We disposed of these assets and deposits primarily to fund the Privatization. Our cash inflow was partially offset by purchases of items of property, plant and equipment of RMB39.3 million primarily consisting of purchases of production equipment for our Shenyang facilities and construction of our Benxi facilities, and land lease prepayment of RMB10.6 million.

In 2012, net cash flows used in investing activities were RMB201.5 million, which were mainly attributable to net purchases of available-for-sale securities of RMB261.9 million and purchases of items of property, plant and equipment of RMB48.1 million primarily consisting of renovation of our existing facilities in Shenyang, purchases of production equipment for our Shenyang facilities and construction of our Benxi facilities. Our cash outflow was partially offset by net disposals of non-pledged time deposits of RMB76.9 million and interest received from bank deposits and available-for-sale securities of RMB28.7 million.

Net Cash Flows from Financing Activities

In 2014, net cash flows used in financing activities were RMB250.4 million, which were mainly attributable to dividends paid to our parent company of RMB659.0 million and an increase in pledged deposits for bank borrowings of RMB152.2 million. The cash outflow was partially offset by net proceeds from bank borrowings of RMB589.4 million to supplement our working capital and finance our acquisitions of Sciprogen and Sirton.

In 2013, net cash flows used in financing activities were RMB588.0 million, which were mainly attributable to dividends paid to our parent company of RMB490.1 million and deposits for bank borrowings of RMB100.0 million, both of which related to the Privatization.

In 2012, net cash flows from financing activities were RMB0.5 million, all from issuance of shares upon exercise of share-based awards granted under our share-based compensation arrangements.

NET CURRENT ASSETS/(LIABILITIES)

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

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	(in thousands of RMB)			(unaudited)
Current assets				
Inventories	35,430	50,482	100,401	113,521
Trade and notes receivables	174,580	226,305	347,978	356,994
Prepaid expenses and other receivables	29,672	20,362	24,258	35,847
Due from related parties	—	—	51,768	13,264
Available-for-sale investments	301,897	13,797	56,052	55,339
Cash and cash equivalents	160,218	268,202	107,612	183,546
Non-pledged time deposits with original maturity over three months when acquired	412,448	245,859	—	—
Pledged deposits	735	101,081	254,558	397,554
Total current assets	1,114,980	926,088	942,627	1,156,065
Current liabilities				
Trade and bills payables	3,765	7,034	25,638	38,330
Other payables and accruals	75,337	76,622	525,766	190,865
Due to related parties	—	2,250	77,711	96,596
Deferred income	1,981	1,981	1,646	1,405
Interest-bearing bank borrowings	—	—	617,429	964,545
Tax payable	3,375	1,654	3,699	2,600
Total current liabilities	84,458	89,541	1,251,889	1,294,341
Net current assets/(liabilities)	1,030,522	836,547	(309,262)	(138,276)

We had net current liabilities of RMB138.3 million as of April 30, 2015, representing a decrease of RMB171.0 million or 55.3% from RMB309.3 million as of December 31, 2014. The decrease was primarily due to a decrease of RMB334.9 million in our other payables and accruals, an increase of RMB143.0 million in our pledged deposits, and an increase of RMB75.9 million in our cash and cash equivalents, partially offset by an increase of RMB347.1 million in interest-bearing bank borrowings. The decrease in our other payables and accruals was primarily due to our payment of consideration payables for the acquisitions of Sciprogen and Sirton. The increase in our pledged deposits and cash and cash equivalents was primarily due to positive cash inflow from operations. The increase in our interest-bearing bank borrowings mainly consisted of additional bank loans we borrowed to finance the cash consideration for our acquisitions of Sciprogen and Sirton.

We had net current liabilities of RMB309.3 million as of December 31, 2014, as compared to net current assets of RMB836.5 million as of December 31, 2013. The change was primarily due to an increase of RMB617.4 million in our interest-bearing bank borrowings, an increase of RMB449.1 million in our other payables and accruals, and an increase of RMB75.5 million in amounts due to related parties, partially offset by an increase of RMB49.9 million in our inventories, an increase of RMB121.7 million in our trade and notes receivables, and an increase of RMB51.8 million in amounts due from related parties. The increase in interesting-bearing bank borrowings was to finance part of the cash consideration for our acquisitions of Sciprogen and Sirton in December 2014, and the increase in other payables and accruals was mainly due to RMB377.2 million of consideration payables outstanding as of December 31, 2014. Amounts due to related parties as of December 31, 2014 reflected loans from our parent company to finance our acquisitions of Sciprogen and Sirton. Amounts due from related parties as of December 31, 2014 mainly consisted of consideration due from Beijing Huansheng for our disposal of Jiangsu Sunshine and withholding individual income taxes due from our directors and senior management related to share-based awards. The increases in our inventories and trade and notes receivables were mainly due to the consolidation of the inventories and trade receivables of Sciprogen as well as our increased sales.

We had net current assets of RMB836.5 million as of December 31, 2013, representing a decrease of RMB194.0 million or 18.8% from RMB1,030.5 million as of December 31, 2012. The decrease was primarily due to our disposal of RMB291.2 million in certain available-for-sale investments and the proceeds from such disposal were used to pay out our dividends in 2013. The decrease of our available-for-sale investments was partially offset by (1) the increases of RMB15.1 million and RMB51.7 million in our inventories and trade and notes receivables from December 31, 2012 to December 31, 2013, respectively, as a result of our increased business scale; and (2) the increase of RMB41.7 million in our cash at bank, including cash and cash equivalents, non-pledge time deposits and pledged deposits, from December 31, 2012 to December 31, 2013, primarily due to positive cash in-flow from operations.

Inventories

Our inventories consist of raw materials, work in progress, finished goods, and consumables and packaging materials. Finished goods include products we manufacture at our production facilities and stock of products we purchase from our suppliers. We formulate annual plans for production, sales and

procurement of raw materials and supplies. We actively monitor the sales performance, production progress, inventory level and projected sales of each of our products, and adjust our sales and purchase plans accordingly every month, to minimize the risk of inventory shortage or accumulation. We have also established an inventory management system that monitors each stage of the warehousing process. We did not experience any material shortage or accumulation of inventory during the Track Record Period. Please refer to the section headed "Business—Manufacturing—Inventory Management" in this prospectus for further details of our inventory management.

The tables below set forth our inventory balances as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(in thousands of RMB)		
Raw materials	5,617	10,100	22,648
Work in progress	16,696	24,695	57,108
Finished goods	10,569	12,034	13,953
Consumables and packaging materials	2,871	4,014	8,082
Inventory provision	(323)	(361)	(1,390)
Total	35,430	50,482	100,401

The table below sets forth our inventory and finished goods turnover days for the periods indicated:

	For the year ended December 31,		
	2012	2013	2014
Inventory turnover days[(1)]	163	188	315
Finished goods turnover days[(2)]	45	50	54

Note:

(1) Inventory turnover days for a year is the arithmetic mean of the beginning and ending balances of inventory for the relevant year divided by cost of sales for the relevant year and multiplied by 365 days.

(2) Finished goods turnover days for a year is the arithmetic mean of the beginning and ending balances of finished goods for the relevant year divided by cost of sales for the relevant year and multiplied by 365 days.

Our inventory balance increased from RMB50.5 million as of December 31, 2013 to RMB100.4 million as of December 31, 2014 primarily due to the consolidation of Sciprogen's inventories of RMB35.8 million and Sirton's inventories of RMB4.3 million. The increase in work in progress was also due to a significant increase in the average batch yields of EPIAO.

Our inventories increased by 42.5% from RMB35.4 million as of December 31, 2012 to RMB50.5 million as of December 31, 2013, primarily reflecting an increase in work in progress of RMB8.0 million as we accelerated production at the end of 2013 in anticipation of strong sales in 2014, and an increase in raw materials of RMB4.5 million as we increased purchase volumes of certain raw materials in anticipation of price increases.

In 2012, 2013 and 2014, our inventory turnover days were 163 days, 188 days and 315 days, respectively. Our inventory turnover days increased significantly in 2014 primarily because Sciprogen's and Sirton's inventories were consolidated into our balance sheet as of December 31, 2014 but their costs of sales were not consolidated into our statement of profit or loss in 2014 as they were acquired on December 31, 2014. Without consolidation of Sciprogen's and Sirton's inventories, our inventory turnover days in 2014 would have been 231 days. The general increase in our inventory turnover days over the Track Record Period, excluding the effect of our recent acquisitions, was primarily due to the increases in our work in progress and raw materials described above.

Trade and Notes Receivables

Our trade receivables primarily represent the balances due from our distributors. Our trading terms with our distributors are mainly on credit. The credit period is generally two months, extending up to three months for selected distributors whom we have built good relationships with. We take into consideration a number of factors in determining the credit term of a distributor, including its cash flow conditions and creditworthiness. Please refer to the section headed "Business—Sales, Marketing and Distribution—Distribution" in this prospectus for further details of our distributor management.

Our notes receivable primarily represent bank notes received from our distributors in lieu of cash payments. Our notes receivable are generally due within 90 days. We seek to maintain strict control over our outstanding receivables and overdue balances are reviewed regularly by senior management.

The table below sets forth our trade and notes receivables as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(in thousands of RMB)		
Trade receivables	117,770	147,267	227,402
Notes receivable	59,018	82,252	125,298
Provision for impairment of trade receivables	(2,208)	(3,214)	(4,722)
Total	174,580	226,305	347,978

Our trade and notes receivables balances as of December 31, 2012, 2013 and 2014 were RMB174.6 million, RMB226.3 million and RMB348.0 million, respectively. The increases primarily reflected increases in our sales during the respective periods. The increase from December 31, 2013 to December 31, 2014 also reflected the consolidation of Sciprogen's trade and notes receivables of RMB47.1 million and Sirton's trade and notes receivables of RMB14.5 million.

In determining impairment losses, we conduct regular reviews of ageing analysis and evaluate collectibles on an individual basis. Our provision for impairment of trade receivables as of December 31, 2012, 2013 and 2014 was RMB2.2 million, RMB3.2 million and RMB4.7 million, respectively, representing 1.9%, 2.2% and 2.1%, respectively, of our trade receivables balance (before provision for impairment).

No notes receivable were discounted during the Track Record Period.

The table below sets forth our trade receivables turnover days for the years indicated:

	For the year ended December 31,		
	2012	2013	2014
Trade receivables turnover days[(1)]	65	55	60

Note:

(1) Trade receivables turnover days for a year equals the arithmetic mean of the beginning and ending trade receivables balances divided by revenue for that year and multiplied by 365 days.

For 2012, 2013 and 2014, our trade receivables turnover days were 65 days, 55 days and 60 days, respectively. The decrease from 2012 to 2013 primarily reflected our enhanced collection efforts, including requiring some of our distributors to pay upon delivery, as well as starting to use collection of receivables as a performance measure of our sales personnel. The increase from 2013 to 2014 was primarily due to the consolidation of Sciprogen's and Sirton's trade receivables as of December 31, 2014 but not of their revenues in 2014. Without consolidation of Sciprogen's and Sirton's trade receivables, our trade receivables turnover days in 2014 would have decreased to 50 days primarily due to our enhanced collection efforts.

An ageing analysis of the trade receivables as at the end of each reporting period, based on the invoice date, is as follows:

	As of December 31,		
	2012	2013	2014
	(in thousands of RMB)		
Within one month	49,047	54,768	130,269
One to three months	61,056	80,103	74,943
Four to six months	5,126	9,089	12,599
Six months to one year	325	80	5,983
One to two years	76	1,091	3,070
Over two years	2,140	2,136	538
Total	117,770	147,267	227,402

Prepaid expenses and Other Receivables

The table below sets forth our prepaid expenses and other receivables as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(in thousands of RMB)		
Prepayments to suppliers	3,898	4,347	5,045
Staff advances	5,951	5,742	8,629
Interest receivables	13,112	8,949	3
Current portion of prepaid lease payments	550	780	2,295
Other deposits and receivables	6,161	544	8,286
Total	29,672	20,362	24,258

Our prepaid expenses and other receivables as of December 31, 2012, 2013 and 2014 were RMB29.7 million, RMB20.4 million and RMB24.3 million, respectively. Our staff advances increased during the Track Record Period primarily because we increased our marketing efforts which resulted in increased advances to our sales and marketing employees. Our interest receivables as of the end of each period primarily reflected variations in interest payment schedules and accrued interest as of these dates instead of a gradual decrease in our interest income during the Track Record Period. Our other deposits and receivables as of December 31, 2012 mainly included receivables from DaVita JV of RMB5.7 million, and our other deposits and receivables as of December 31, 2014 mainly included consideration receivable for Sciprogen's disposal of its subsidiary of RMB3.3 million and prepaid professional fees in connection with the Global Offering of RMB 2.6 million.

Trade and Other Payables

Our trade and other payables primarily consist of the balances due to our suppliers of raw materials and active pharmaceutical ingredients, accrued selling and distribution expenses, accrued salaries, bonus and welfare expenses, and payable to plant, property and equipment vendors. Our trading terms with suppliers vary depending on a number of factors, in particular the type of products.

The table below sets forth the total amounts of our trade and other payables as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(in thousands of RMB)		
Trade and bills payables	3,765	7,034	25,638
Accrued selling and distribution expenses	26,451	28,056	51,363
Accrued salaries, bonus and welfare expenses	13,193	14,847	30,045
Payable to vendors of plant, property and equipment	4,442	14,843	11,768
Payable to vendors of technology know-how	6,000	6,000	—
Taxes payable (other than income tax)	8,190	3,914	18,837
Receipts in advance from customers	1,114	3,091	3,590
Payable to privatization advisors	6,230	—	—
Payable to acquisition vendors	—	—	377,181
Accrued listing expenses	—	—	13,610
Payable to advisors in acquisition transactions	—	—	3,578
Other payables	9,717	5,871	15,794
Total	79,102	83,656	551,404

Our trade and other payables balances as of December 31, 2012, 2013 and 2014 were RMB79.1 million, RMB83.7 million and RMB551.4 million, respectively. The increase from December 31, 2012 to December 31, 2013 was generally in line with our business expansion. The significant increase from December 31, 2013 to December 31, 2014 was primarily attributable to payables related to our acquisitions of Sciprogen and Sirton, payables related to the Listing, as well as the consolidation of Sciprogen's trade and other payables of RMB74.3 million and Sirton's trade and other payables of RMB74.1 million. The trade payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

The table below sets forth our trade and bills payables turnover days for the years indicated:

	For the year ended December 31,		
	2012	2013	2014
Trade and bills payables turnover days[(1)]	26	24	68

(1) Trade and bills payables turnover days for a year equals the arithmetic mean of the beginning and ending trade and bills payables balances divided by cost of sales for that year and multiplied by 365 days.

For 2012, 2013 and 2014, our trade payables turnover days were 26 days, 24 days and 68 days, respectively. The increase in 2014 was primarily due to the consolidation of Sciprogen's and Sirton's trade and bills payables as of December 31, 2014 but not of their costs of sales in 2014. Without consolidation of Sciprogen's and Sirton's trade and bills payables, our trade and bills payables turnover days in 2014 would have been 31 days.

An ageing analysis of the trade payables as at the end of each reporting period is as follows:

	As of December 31,		
	2012	2013	2014
	(in thousands of RMB)		
Within three months	3,738	6,859	22,152
Three to six months	20	122	3,401
Over six months	7	53	85
Total	3,765	7,034	25,638

Our taxes payable (other than income tax) decreased by 52.2% from RMB8.2 million as of December 31, 2012 to RMB3.9 million as of December 31, 2013 primarily due to the decrease in our VAT liabilities, which was attributable to the decrease in Shenyang Sunshine's applicable VAT rate from 17% to 6% which we started to adopt in April 2013.

Our taxes payable (other than income tax) increased by 381.3% from RMB3.9 million as of December 31, 2013 to RMB18.8 million as of December 31, 2014 primarily due to the accrual of withholding individual income taxes of RMB11.1 million as of December 31, 2014. The withholding taxes were related to the share-based awards granted on August 31, 2013 and August 31, 2014, and were fully paid subsequent to December 31, 2014.

Interest-bearing Loans

Our interest-bearing loans were nil, nil and RMB617.4 million as of December 31, 2012, 2013 and 2014. Please refer to the section headed "Financial Information—Indebtedness" in the prospectus for further details of our interest-bearing loans.

WORKING CAPITAL

We had net current assets as of December 31, 2012 and 2013. Although we recorded net current liabilities of RMB309.3 million and RMB138.3 million as of December 31, 2014 and April 30, 2015, respectively, as a result of our acquisitions of Sciprogen and Sirton, the Directors are of the view, and

the Joint Sponsors concur, that we have sufficient working capital required for our operations at present and for at least the next 12 months from the date of this prospectus in light of the following financial resources:

- net cash generated from operating activities of RMB386.6 million in 2014, primarily due to our profit before tax of RMB360.2 million in the same period;
- cash and cash equivalent of RMB107.6 million and pledged deposits of RMB254.6 million as of December 31, 2014;
- strong and long-term relationships with major commercial banks and financial institutions in China, which provide us with additional support of working capital; and
- the estimated net proceeds from the Global Offering.

INDEBTEDNESS

As of December 31, 2014, we had short-term bank loans in the aggregate amount of RMB617.4 million.

In January 2014, we borrowed short-term bank loans of RMB300.0 million to fund our dividend payment and supplement our working capital. In October 2014, we repaid these bank loans and borrowed new short-term bank loans of RMB300.0 million to supplement our working capital. The annual interest rate for these loans is the loan prime rate (LPR) in China plus 0.24% with maturity in October 2015. These loans were secured by pledged deposits, notes receivable, prepaid land lease payments and property, plant and equipment.

In December 2014, we borrowed additional short-term bank loans of US$47.3 million to fund our acquisitions of Sciprogen and Sirton. These new loans had terms ranging from six months to one year. The annual interest rates for these loans ranged from 2.2% to 2.288%. These loans were secured by pledged deposits, notes receivable and pledged wealth management financial products.

In addition, Sciprogen's bank borrowings of RMB28.0 million were consolidated into our balance sheet as of December 31, 2014 after its acquisition by us. Sciprogren's bank loans had one-year terms maturing in August or September 2015. The annual interest rates for these loans ranged from 6% to 7.8%. These loans were secured by property, plant and equipment.

As of December 31, 2014, none of our bank loans contained material covenants, such as covenants that obligate us to maintain certain financial ratios. Except as described above and apart from intra-group liabilities, we did not have, as of the December 31, 2014, any other outstanding loan issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

As of April 30, 2015, being the latest practicable date for the purpose of this indebtedness statement, the balance of our bank loans were RMB964.5 million. In addition to the loans outstanding as of December 31, 2014 described above, we borrowed three new short-term bank loans.

In January 2015, we borrowed two short-term bank loans of US$16.0 million and RMB10.0 million, respectively, to supplement our working capital and finance our acquisitions of Sciprogen and Sirton. The terms of these loans were six months and one year, respectively. The annual interest rates for these loans were LIBOR plus 2.3% and LPR plus 1.21%, respectively. These loans were secured by pledged deposits, notes receivable and property, plant and equipment. Neither of these bank loans contained material covenants, such as covenants that obligate us to maintain certain financial ratios.

In February 2015, we borrowed an additional short-term bank loan of US$40.0 million to finance our acquisitions of Sciprogen and Sirton. It had a term of six months with an annual interest rate of LIBOR plus 2.0%. The loan contained certain covenants for Hongkong Sansheng, including the maintenance of its consolidated total debt, consolidated total net debt and consolidated total net debt to consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) ratio to less than RMB1,200 million, RMB800 million and 1.75, respectively. We had not been in breach of these covenants as of March 31, 2015, and we currently have no need or plan to undertake additional debt financing before this loan matures in August 2015.

As of March 31, 2015, we had one partially unutilized revolving credit facility, with a total credit line of RMB900.0 million, of which RMB286.3 million was unutilized.

Our Directors confirm that we had no material defaults in payment of trade and non-trade payables or bank borrowings and had not breached any finance covenants during the Track Record Period.

We currently have no plans to materially change our borrowing levels.

VALUATION OF SCIPROGEN AND SIRTON

In connection with our acquistions of Sciprogen and Sirton on December 31, 2014, we appointed an independent valuation firm with appropriate qualification and recent experience of valuation of business enterprise and intangible assets for pharmaceutical companies (the "**Valuer**"), to assist in determining the fair value of identifiable intangible assets of Sciprogen and Sirton at the date of acquisition.

The Valuer's project leader in charge of the valuation exercises has been involved in business enterprise and intangible asset valuation services for approximately 12 years, and is a Fellow Member of the Association of Chartered Certified Accountant, the Chartered Financial Analyst of Association of Investment Management and Research and the Associate Member of Hong Kong Society of Accountants.

In determining the fair value of identifiable intangible assets of Sciprogen and Sirton, including technologies, customer relationships, licenses and non-compete agreement, as of December 31, 2014, the Valuer has adopted excess earnings method, distributor method, replacement cost method and with

and without method to respective intangible assets, whichever appropriate, as their basis of valuation. The distributor method, a subset of the multi-period excess earning method, relies upon market-based distributor data or other appropriate market inputs to value customer relationships. The underlying theory is that a business is composed of various functional components (such as manufacturing, distribution, and intellectual property) and that market-based data may be used if available to reasonably isolate the revenue, earnings, and cash flow related to these functional areas. The with and without method is used to value non-compete agreements. It takes into consideration the cash flow increments between the scenario where a non-compete agreement is not in place and the scenario where the non-compete agreement is in place. Of the purchase prices for our acquisitions of Sciprogen and Sirton, RMB358.1 million and RMB7.6 million, respectively, were attributed to the acquisition of their intangible assets, including RMB8.0 million and RMB7.5 million, respectively, attributed to the acquisition of their customer relationships.

Due to the increase in our total intangible assets resulting from our recent acquisitions, we expect that our amortization charges in the next few years will be higher than those during the Track Record Period.

CAPITAL EXPENDITURE

We regularly incur capital expenditures to expand our operations, maintain our property, plant and equipment and increase our operating efficiency. We have historically funded our capital expenditures through cash generated from our operations. The table below sets forth our capital expenditures for the years indicated:

	For the year ended December 31,		
	2012	2013	2014
	(in thousands of RMB)		
Purchases of property, plant and equipment.....	48,105	39,340	19,931
Purchases of intangible assets	6,000	—	6,000
Land lease prepayments	—	10,617	—
Total.....	54,105	49,957	25,931

We expect to incur capital expenditures of approximately RMB103.8 million and RMB208.6 million in 2015 and 2016, respectively. These expected capital expenditures are primarily for the maintenance of our existing facilities or our continued expansion and upgrade plan to increase our production capabilities in anticipation of the expected increase in demand for our current products and the launch of our new product. Please refer to the sections headed "Business—Manufacturing—Facilities" and "Future Plans and Use of Proceeds" in this prospectus for further details. We expect to finance our capital expenditures through a combination of internally generated funds, the net proceeds from the Global Offering, and bank borrowings. 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 office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

The table below sets forth our future minimum lease payments under non-cancelable operating leases as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(in thousands of RMB)		
Within one year	684	435	471
In the second to fifth year, inclusive	73	119	32
Total	757	554	503

Capital Commitments

In addition to the operating lease commitments described above, we had the following capital commitments as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(in thousands of RMB)		
Contracted, but not provided for:			
Plant and machinery	11,792	21,805	24,109
Capital contribution with respect to an associate	22,251	16,645	15,141
Total	34,043	38,450	39,250

Under the terms of the CP Guojian Warrant, it shall not vest and become exercisable unless we increase our beneficial shareholding of CP Guojian to certain percentage levels. Please refer to the section headed "History, Reorganization and Corporate Structure—CP Guojian Warrant" in this prospectus. However, such increase in percentage shareholding is merely a non-vesting condition and does not constitute any binding commitment on us to increase our investment in CP Guojian. Therefore, we do not have any capital commitment with respect to our investments in CP Guojian.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

KEY FINANCIAL RATIOS

The table below sets forth the key financial ratios of our Group for the periods or as of the dates indicated:

	As of or for the year ended December 31,		
	2012	2013	2014
Gross margin[(1)]	89.3%	90.5%	92.3%
Net profit margin[(2)]	15.5%	11.0%	25.8%
Adjusted net profit margin[(3)]	19.9%	31.4%	36.3%
Return on total assets[(4)]	7.3%	7.0%	16.3%
Return on equity[(5)]	7.8%	7.9%	29.1%
Current ratio[(6)]	13.2	10.3	0.8
Gearing ratio[(7)]	—	—	65.4%

Note:

(1) Gross margin equals gross profit divided by revenue for the period.

(2) Net profit margin equals profit for the period divided by revenue for the period.

(3) Adjusted net profit margin equals adjusted net profit for the period divided by revenue for the period. Please refer to the paragraph headed "—Non-IFRS Measure" in this section for details of adjusted net profit.

(4) Return on total assets equals profit for the period divided by the average of the beginning and ending total assets of the period.

(5) Return on equity equals profit for the period attributable to equity shareholders of the Company divided by the average of the beginning and ending total equity attributable to equity shareholders of the Company of the period.

(6) Current ratio equals current assets divided by current liabilities as of the end of the period.

(7) Gearing ratio equals total interest-bearing loans divided by total equity as of the end of the period. As of December 31, 2012 and 2013, we had no interest-bearing loans and thus gearing ratio was not calculated.

Gross Margin

During the Track Record Period, we have maintained a high but stable level of gross margin, at 89.3%, 90.5% and 92.3% for 2012, 2013 and 2014, respectively. The steady incremental growth in our gross margin was due to continuous improvement in our production efficiency and economies of scale.

Net Profit Margin

Our net profit margin decreased from 15.5% in 2012 and to 11.0% in 2013 but increased to 25.8% in 2014. The decrease from 2012 to 2013 was primarily due to significant withholding taxes on

dividends paid to the Company by our PRC subsidiary and other one-off expenses relating to the Privatization. The significant increase in our net profit margin in 2014 was due to the continuous improvement in our operating efficiency and the lack of one-off expenses relating to the Privatization which increased our administrative expenses and income tax expenses in 2013.

Adjusted Net Profit Margin

Our adjusted net profit margin increased from 19.9% in 2012 to 31.4% in 2013 and further to 36.3% in 2014. The increase from 2012 to 2013 was primarily due to our effective control of costs and expenses, especially our selling and distribution expenses. The further increase from 2013 to 2014 was primarily due to our increasing economies of scale, improving manufacturing efficiency and effective control of our selling and distribution expenses.

Return on Total Assets

Our return on total assets was 7.3%, 7.0% and 16.3% for 2012, 2013 and 2014, respectively. The variations in our return on total assets primarily reflected changes in our profit levels for the corresponding periods. Please refer to the paragraph headed "—Key Financial Ratios—Net Profit Margin" in this section. The increase in our return on total assets was partially offset by a significant increase in our non-current assets from December 31, 2013 to December 31, 2014 as a result of our acquisitions of Sciprogen and Sirton and our investment in CP Guojian.

Return on Equity

Our return on equity was 7.8%, 7.9% and 29.1% for 2012, 2013 and 2014, respectively. The variations in our return on equity primarily reflected changes in our profit levels for the corresponding periods. Please refer to the paragraph headed "—Key Financial Ratios—Net Profit Margin" in this section.

Current Ratio

As of December 31, 2012, 2013 and 2014, our current ratio was 13.2, 10.3 and 0.8, respectively. Our current ratio was relatively stable and remained at a healthy level for 2012 and 2013. The decrease in our current ratio from 10.3 as of December 31, 2013 to 0.8 as of December 31, 2014 was primarily due to an increase of RMB617.4 million in interest-bearing bank loans and an increase of RMB449.1 million in other payables and accruals. The interest-bearing bank loans we borrowed in 2014 were primarily used to fund our dividend payment, supplement our working capital and finance our acquisitions of Sciprogen and Sirton. The significant increase in our other payables and accruals was mainly related to our acquisitions of Sciprogen and Sirton as well as the Listing. Please refer to the paragraph headed "—Net Current Assets/(Liabilities)" in this section for further details of changes in our current assets and current liabilities over the Track Record Period.

Gearing Ratio

We had nil interest-bearing loans as of December 31, 2012 or 2013. As of December 31, 2014, we had short-term interest-bearing loans of RMB300.0 million and US$47.3 million, and we had consolidated Sciprogen's short-term interest-bearing loans of RMB28.0 million after its acquisition by us in December 2014, which resulted an increase of gearing ratio to 65.4% at the end of the period.

RELATED-PARTY TRANSACTIONS

Details of our transactions with related parties during the Track Record Period are set out in Note 43 to the Accountants' Report included in Appendix I to this prospectus.

We collaborate with Ascentage Shanghai and Ascentage Jiangsu, in each of which we hold a 40% interest, to research, develop and commercialize targeted cancer therapeutics focusing on programmed cell death, or apoptosis. We recognized research and development expenses of RMB6.0 million, RMB5.3 million and RMB750,000 in 2012, 2013 and 2014, respectively, according to the progress achieved for the projects. As of December 31, 2013, we had amounts due to Ascentage Jiangsu of RMB2.3 million. There were nil amounts due to Ascentage Jiangsu as of December 31, 2014.

We extended loans to DaVita JV, a joint venture in which we hold a 30% interest, to support its operation. The loans were uncollateralized with an annual interest rate ranging from 5.6% to 6.15%. In 2012, 2013 and 2014, we extended loans to DaVita JV in the amounts of RMB1.3 million, RMB10.5 million and RMB7.5 million, respectively. As of December 31, 2012, 2013 and 2014, we had amounts due from DaVita JV of RMB1.3 million, RMB11.8 million and RMB17.4 million, respectively. One of these loans, in the amount of approximately RMB5.0 million, was extended to DaVita JV via the Industrial Bank under an entrustment agreement. It has a term of two years and will mature in February 2016. We and DaVita JV have agreed that our other loans to DaVita JV will be replaced by bank-entrusted loans in June 2015 before Listing.

In November 2014, we disposed of our entire interest in Jiangsu Sunshine to Beijing Huansheng, an entity owned by certain management personnel of our Company for a total consideration of approximately RMB32.2 million. The consideration amount due was outstanding as of December 31, 2014 but was fully paid as of March 31, 2015.

Our Directors confirm that all 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.

MARKET RISK DISCLOSURE

We are exposed to a variety of financial risks, including foreign exchange risk, credit risk, liquidity risk and interest rate risk, as set out below. We regularly monitor our exposure to these risks and as of the Latest Practicable Date, did not hedge or consider necessary to hedge any of these risks.

Interest Rate Risk

Our exposure to the risk of changes in market interest rates relates primarily to our borrowings with floating interest rates. Increases in interest rates would increase interest expenses relating to such outstanding floating rate borrowings and increase the cost of new debt. We closely monitor our interest rate risk by performing periodic reviews and evaluations of our debt portfolio and gearing ratio. In the opinion of our Directors, we have no significant interest rate risk and have not used any interest rate swaps to hedge our exposure to interest rate risk.

Foreign Exchange Risk

Our business is mainly located in mainland China and most transactions are conducted in Renminbi. During the Track Record Period, most of our assets and liabilities were denominated in Renminbi, except for certain bank balances denominated in U.S. dollar, Hong Kong dollar. Australian dollar and euro. As of December 31, 2012, 2013 and 2014, we had bank balances denominated in U.S. dollar in the equivalent amounts of RMB133.0 million, RMB56.6 million and RMB26.5 million, respectively. Bank balances denominated in other foreign currencies as of December 31, 2012, 2013 and 2014 were not of significant amounts. Please refer to Note 29 to the Accountants' Report included in Appendix I to this prospectus.

Our assets and liabilities denominated in U.S. dollar were mainly held by certain subsidiaries incorporated outside mainland China which had U.S. dollar as their functional currency, and we did not have material foreign currency transactions in mainland China during the Track Record Period. Therefore, in the opinion of our Directors, we have no significant foreign currency risk. We will, however, monitor our foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit Risk

Our credit risk exposure is primarily attributable to our cash and cash equivalents, restricted cash, and trade and other receivables. We have no significant concentrations of credit risk. We have policies in place to monitor the exposures to these credit risks on an on-going basis.

As at December 31, 2012, 2013 and 2014, all pledged deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk. For credit exposures to customers, most of our sales are settled in cash or by check upon delivery. The carrying amounts of pledged deposits, non-pledged time deposits, cash and cash equivalents, due from related parties, deposits and other receivables, trade and notes receivables, and long-term receivables included in the statements of financial position represent our maximum exposure to credit risk in relation to our financial assets. We have established policies requiring that credit sales are only made to customers with appropriate credit history and we perform periodic credit evaluations on our customers and monitor the utilization of credit terms by them.

Liquidity Risk

We monitor our risk to a shortage of funds based on the maturity of our financial assets and financial liabilities and projected cash flows from operations.

Our policy is to monitor and maintain a level of cash and cash equivalents we deem adequate to finance our operations and mitigate the effects of fluctuations in cash flows. We expect to satisfy our future cash flow needs through internally generated funds and bank borrowings, as well as equity financings. Our Directors have reviewed our profitability, working capital and capital expenditure requirements and determined that we have no significant liquidity risk.

DIVIDEND POLICY

We declared and paid cash dividends of nil, RMB490.1 million and RMB659.0 million to our then shareholders in 2012, 2013 and 2014, respectively.

Subject to the Cayman Islands Company Law, our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividends may be declared and paid out of profits of our Company, realized or unrealized, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of our share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Islands Company Law. No distribution or dividend may be paid out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

Future dividend payments will also depend upon the availability of dividends received from our subsidiary companies in China. 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 the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign investment enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiary companies may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiary companies may enter into in the future.

The amount of dividend actually distributed to our shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and may be subject to approval of our shareholders. Our Board has an absolute discretion to recommend any dividend for any year. There is no assurance that dividends of any amount will be declared or distributed in any year.

As of the Latest Practicable Date, we had no plans to distribute the retained earnings of the PRC subsidiaries of the Company and as such, except for the withholding tax of RMB3.7 million corresponding to the dividends declared in October 2014 being provided as deferred tax liability, no provision for withholding tax had been made.

DISTRIBUTABLE RESERVES

As of December 31, 2014, our distributable reserves were RMB273.0 million.

LISTING-RELATED EXPENSES INCURRED AND TO BE INCURRED

The total listing expenses (including underwriting commissions) payable by our Company are estimated to be approximately HK$234.6 million, assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$8.70 (being the mid-point of our Offer Price range of HK$8.30 to HK$9.10 per Offer Share). These listing expenses mainly comprise professional fees paid and payable to the professional parties, and commissions payable to the Underwriters, for their services rendered in relation to the Listing and the Global Offering.

As of December 31, 2014, the listing expenses (excluding underwriting commissions) incurred by our Company in relation to the Listing were approximately RMB17.2 million, of which RMB14.6 million was charged to our consolidated statement of profits or loss and RMB2.6 million was capitalized. We estimate that additional listing expenses of RMB167.7 million (including underwriting commissions of RMB83.1 million, assuming the Over-allotment Option is not exercised and based on the mid-point of our Offer Price range of HK$8.30 to HK$9.10 per Offer Share) will be incurred by our Company, of which approximately RMB46.1 million is expected to be charged to our consolidated statement of profit or loss and approximately RMB121.6 million is expected to be charged, against equity upon the Listing.

The underwriting commissions, the Stock Exchange trading fees, SFC transaction levies, the brokerage fees and other expenses relating to the Sale Shares payable by the Selling Shareholder, namely CS Sunshine, are expected to be HK$43.7 million, assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$8.70 (being the mid-point of our Offer Price range of HK$8.30 to HK$9.10 per Offer Share).

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of our adjusted consolidated net tangible assets as of December 31, 2014, which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on December 31, 2014, and is based on our consolidated net tangible assets as at December 31, 2014, as set out in the "Appendix I—Accountants' Report" to this prospectus.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true and fair picture of our financial position had the Global Offering been completed as of December 31, 2014 or any future dates.

	Adjusted consolidated net tangible assets attributable to owners of our Company as of December 31, 2014[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted net tangible assets per Share[3]	
	(in thousands of RMB)			(RMB)	(HK$)
Based on the Offer Price of HK$8.30 for each Offer Share	296,225	2,993,052	3,289,277	1.36	1.72
Based on the Offer Price of HK$9.10 for each Offer Share	296,225	3,286,431	3,582,656	1.48	1.88

(1) The adjusted consolidated net tangible assets attributable to owners of our Company as of December 31, 2014 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on our consolidated net assets attributable to owners of our Company as of December 31, 2014 of RMB932,367,000 with an adjustment of deducting other intangible assets and goodwill as of December 31, 2014 of RMB405,545,000 and RMB230,597,000, respectively.

(2) The estimated net proceeds from the Global Offering are based on an indicative Offer Price of HK$8.30 (equivalent to RMB6.54) and HK$9.10 (equivalent to RMB7.17) per Share respectively (after deducting the underwriting fees and other related expenses), and takes no account of any Shares which may be issued pursuant to the Over-allotment Option. For the purpose of the estimated net proceeds from the Global Offering, the translation of RMB into HK dollars was made at the rate of RMB0.78811 to HK$1, the exchange rate prevailing on May 15, 2015 set by the PBOC for foreign exchange transactions.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted consolidated net tangible assets by 2,424,398,570 Shares, being the number of shares in issue assuming that the Global Offering has been completed but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

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.

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.

FUTURE PLANS

Our mission is to provide better care for patients through innovation and excellence. We aim to strengthen our leadership position in the PRC biotechnology industry and to significantly expand our international business. The key elements of our strategy are to:

- further develop the PRC rhTPO market;
- strengthen our leadership position in the PRC rhEPO market;
- expand our innovative product portfolio through in-house research and development and collaborative partnerships;
- expand our network of third-party promoters to broaden our market coverage;
- expand our business and strengthen our core competence through acquisitions; and
- grow our international business through global product registration and development.

Please refer to the section headed "Business—Our Strategies" in this prospectus for further details of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$3,983.9 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Over-allotment Option is exercised and an Offer Price of HK$8.70 per Share, being the mid-point of the indicative Offer Price range of HK$8.30 to HK$9.10 per Share in this prospectus. We intend to use the net proceeds we will receive from this offering as follows:

- approximately 45% of the net proceeds, or approximately HK$1,792.7 million, to expand our portfolio of pharmaceutical products in our focused therapeutic areas through selective acquisitions. We had not identified any specific acquisition targets as of the Latest Practicable Date. We are primarily interested in acquiring companies with mature product lines and first-to-market drugs, as well as companies with high innovation capabilities, including:
  - biotechnology companies with strengths in recombinant protein or mAb to solidify our leadership position in the PRC biotechnology industry, and
  - chemical pharmaceutical companies with small-molecule drugs in our core therapeutic areas to complement our product portfolio and increase sales productivity and/or chemical pharmaceutical companies with capability to manufacture our small-molecule product candidates in our current pipeline;

- approximately 15% of the net proceeds, or approximately HK$597.6 million, to strengthen the sales and marketing of our products by:

  - hiring additional sales personnel to keep up with the anticipated sales growth of products that are marketed by our in-house sales force. We plan to hire 10% more sales personnel every year from 2015 to 2018;

  - establishing additional regional offices in order to deepen our market penetration of our products. We plan to open two to three additional regional offices every year;

  - providing in-house and external training for our sales and marketing employees to enhance their industry knowledge and marketing skills;

  - increasing the frequency of academic marketing activities, including academic conferences, seminars and symposia;

  - funding the upgrades and maintenance of our sales force efficiency (SFE) system, which is used to monitor and analyze our sales force activities and performance; and

  - integrating Sciprogen's sales and marketing resources. As part of the Sciprogen acquisition, we will create a new department focused on managing Sciprogen's sales and marketing resources on an ongoing basis;

- approximately 15% of the net proceeds, or approximately HK$597.6 million, to fund capital expenditure projects to increase our production capabilities by constructing new production lines in anticipation of the expected increase in demand for our current products and the launch of our product candidates. These net proceeds will be used:

  - to fund the ongoing construction of production facilities in Dongguan, Guangdong. These facilities are expected to have four times the production capacity of Sciprogen's current production facilities in Shenzhen. When these new facilities become fully operational, they will replace Sciprogen's current SEPO and Sparin production facilities, which in turn will be converted into a research and development center; and

  - to fund the construction of new production facilities to expand our production capacity of EPIAO and TPIAO. The new EPIAO and TPIAO production facilities will have the same production capacity as our current EPIAO and TPIAO production facilities in Shenyang and will be built in accordance with higher technological standards. As our current EPIAO line is expected to reach full capacity in the near future, the new facilities will allow us to continue to meet the growing demand for our core products;

- approximately 15% of the net proceeds, or approximately HK$597.6 million, to fund our research and development projects, including our in-house research and development projects and external collaboration projects. Please refer to the section headed "Business—Research and Development" in this prospectus for further details of our research and development plan; and

- approximately 10% of the net proceeds, or approximately HK$398.4 million, to supplement our working capital and for general corporate purposes.

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder in the Global Offering. The Selling Shareholder estimates that it will receive, in aggregate, net proceeds from the Global Offering of approximately HK$1,011.0 million, after deducting the estimated underwriting commissions and expenses payable by them in the Global Offering and assuming an Offer Price of approximately HK$8.70 per Share, being the mid-point of the indicative Offer Price range of HK$8.30 to HK$9.10 per Share in this prospectus.

In the event that the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds from the sale of these additional Offer Shares of approximately HK$759.1 million, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the same initial public Offer Price as stated above. We intend to apply the additional net proceeds to the above uses on a pro rata basis. In the event that the Offer Price is set at the low end of the proposed Offer Price range and the Over-allotment Option is not exercised at all, our Company will receive net proceeds of approximately HK$3,797.8 million. Under such circumstances, the net proceeds allocated to the above uses will be adjusted on a pro rata basis. In the event that the Offer Price is set at the high-end of the proposed Offer Price range and the Over-allotment Option is exercised in full, our Company will receive net proceeds of approximately HK$4,964.0 million. The additional net proceeds of approximately HK$1,166.2 million (when compared to the net proceeds to our Company with the Offer Price being determined at the low end of the stated range and assuming the Over-allotment Option is not exercised) will be used for the above uses on a pro rata basis. To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed on deposit with banks or other financial institutions or held in other treasury instruments.

HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited
Goldman Sachs (Asia) L.L.C.
CLSA Limited
China International Capital Corporation Hong Kong Securities Limited
China Merchants Securities (HK) Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement entered into on May 29, 2015, we are offering 60,610,000 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus and the Application Forms at the Offer Price.

Subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to subscribe, or procure subscribers to subscribe for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions as set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed.

The Hong Kong Underwriting Agreement is conditional on and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors shall be entitled by notice (orally or in writing) to the Company to terminate the Hong Kong Underwriting Agreement, with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any 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, Cayman Islands, the BVI, the United States, the United Kingdom, any member of the European Union, Japan, Singapore or any other jurisdiction relevant to any member of our Group or the Global Offering (collectively, 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 elsewhere; 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 NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(iv) any general moratorium on commercial banking activities in any Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or

(v) any new law (as defined in the Hong Kong Underwriting Agreement), 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 (as defined in the Hong Kong Underwriting Agreement) of) existing laws (as defined in the Hong Kong Underwriting Agreement), in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation (as defined in the Hong Kong Underwriting Agreement) 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 any of the Relevant Jurisdictions; or

(viii) any proceedings (as defined in the Hong Kong Underwriting Agreement) of any third party being instigated against any member of the Group; or

(ix) 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

(x) the chairman or the chief executive officer of the Company vacating his or her office; or

(xi) an authority (as defined in the Hong Kong Underwriting Agreement) or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xii) a contravention by any member of our Group of the Listing Rules or applicable laws (as defined in the Hong Kong Underwriting Agreement); or

(xiii) a prohibition on our Company or the Selling Shareholder for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including the shares to be issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws (as defined in the Hong Kong Underwriting Agreement); or

(xv) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, 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

(xvi) any change or development or event involving a prospective change, or a materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xvii) an order or petition for the involuntary winding up of any member of our Group or any composition or arrangement made by any member of our Group with our creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the voluntary winding-up of any member of our 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 our Group or anything analogous thereto occurring in respect of any member of our Group.

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors (1) has or will have or is likely to have a material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenues, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company and the other members of our Group, taken as a whole ("**Material Adverse Change**"); or (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Shares in the secondary market; 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 is likely to 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 or delaying 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 Joint Global Coordinators or the Joint Sponsors:

(i) that any statement contained in this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect in any material respect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any notices, announcements, communications with the Stock Exchange or the SFC issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) 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 of a material fact from any of this prospectus, the Application Forms and/or from any notices, announcements, communications with the Stock Exchange or the SFC issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters or the International Underwriters); or

(iv) any Material Adverse Change; or

(v) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties (as defined in the Hong Kong Underwriting Agreement) in the Hong Kong Underwriting Agreement; or

(vi) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold (including any Shares issued under 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

(vii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(viii) any person (other than the Joint Sponsors) has withdrawn or is subject to withdraw its consent to being named in this prospectus and the Application Forms or to the issue of this prospectus and the Application Forms.

Undertakings by our Company to the Stock Exchange pursuant to the Listing Rules

Pursuant to 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 date on which our Shares commence dealing on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except:

(a) in certain circumstances prescribed by Rule 10.08 of the Listing Rules; or

(b) pursuant to the Global Offering (including the Over-allotment Option).

Undertakings by our Controlling Shareholders to the Stock Exchange pursuant to the Listing Rules

Immediately following the completion of the Global Offering, our Controlling Shareholders will collectively hold approximately 37.06% of the issued Shares (assuming the Over-allotment Option is not exercised) or approximately 35.72% of the issued Shares (assuming the Over-allotment Option is exercised in full). Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling

Shareholders has undertaken to each of the Stock Exchange and our Company that, except pursuant to the Global Offering (including the Over-allotment Option) and the offer for sale of the Sale Shares by the Selling Shareholder, he or she shall not and shall procure that the relevant registered holder(s) shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of his or its shareholdings is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the "**Relevant Securities**"); and

(b) in the period of the following six months commencing from the expiry of the First Six-Month Period, dispose of, enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, either directly or indirectly, conditionally or unconditionally, (but save pursuant to a pledge or charge as security for a bona fide commercial loan) any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company (in the event of the exercise of the Over-allotment Option, the percentage of issued Shares held by our Controlling Shareholders shall not fall below 30% in aggregate.

In addition, in accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, during the period commencing on the date by reference to which disclosure of his or her shareholdings is made in this prospectus and ending on the date which is 12 months from the Listing Date, he will:

(a) when he or she pledges or charges any Shares beneficially owned by him or her 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, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when he or she receives indications, either verbal or written, from the pledgee or charged that any of the pledged or charged Shares will be disposed of immediately inform our Company of such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any Controlling Shareholder and announce such matters as soon as possible after being so informed by such Controlling Shareholder.

Undertakings by our Company Pursuant to the Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Joint Sponsors that, except for the offer and sale 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 First Six-Month Period, our Company will not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors and unless in compliance with the requirements of the Listing Rules:

(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 ("**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, 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, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company, 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, as applicable or any interest in any of the foregoing); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company, 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). For the avoidance of doubt, nothing in this paragraph shall be construed as preventing us from issuing Shares during the First Six-Month Period pursuant to the Post-IPO Share Option Scheme provided that such issuance is in compliance with the requirements of the Listing Rules, in such case shall not require any prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) or the Joint Sponsors.

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in paragraphs (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. Each of the Controlling Shareholders undertakes to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure our Company to comply with the above undertakings.

Undertakings by our Controlling Shareholders pursuant to the Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, each of the Controlling Shareholders has undertaken to each of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Joint Sponsors that, except for the transfers contemplated by the Pre-IPO Reorganization, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors and unless in compliance with the requirements of the Listing Rules:

(a) it 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 our Company 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 any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company 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 our Company 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 any such other securities, as applicable or any interest in any of the foregoing); or (iii) enter into any transaction with the same economic effect as any transaction specified in (a)(i) or (a)(ii) of this paragraph; or (iv) offer to or agree to or announce any intention to effect any transaction specified in (a)(i), (a)(ii) or (a)(iii) of this paragraph, in each case, whether any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) of this paragraph is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(b) it will not, during the Second Six-Month Period, enter into any of the transactions specified in (a)(i), (a)(ii) or (a)(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 of any option, right, interest or Encumbrance pursuant to such transaction, it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company; and

(c) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

For the avoidance of doubt, nothing in the above paragraph shall be construed as preventing the Controlling Shareholders from: (i) disposing any Shares acquired on-market on or after the Listing Date provided that such disposal is in compliance with the requirements of the Listing Rules; or (ii) using any Shares beneficially owned by the Controlling Shareholders as security (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; in each case shall not require any prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors, provided that in the case of a pledge pursuant to (ii) above, such Controlling Shareholders shall immediately inform our company, the Joint Sponsors and the Joint Global Coordinators in writing (i) when it/he pledges or charges such Shares and the number of the Shares so pledged or charged; and (ii) when it/he receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares will be disposed of. We undertake that upon receiving such information in writing from any Controlling Shareholder, we shall, as soon as practicable, notify the Stock Exchange, the Joint Sponsors, the Joint Global Coordinators and make a public disclosure in relation to such information by way of an announcement in accordance with the Listing Rules.

Each of our Company and the Controlling Shareholders has agreed to jointly and severally indemnify the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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 our Company of the Hong Kong Underwriting Agreement.

Commission and Expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price in respect of all of the Hong Kong Offer Shares (excluding any Hong Kong Offer Shares reallocated to and from the Hong Kong Public Offering pursuant to the Hong Kong Underwriting Agreement). For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, if any, our Company will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the Joint Global Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters). The Company shall pay to the Joint Sponsors an incentive fee equal to 0.3% of the Offer Price for each Hong Kong Offer Share, and under certain conditions, may pay the Joint Global Coordinators an additional discretionary incentive fee.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$8.70 (being the mid-point of our Offer Price range of HK$8.30 to HK$9.10 per Offer Share):

(a) the underwriting commissions and incentive fees, the Stock Exchange trading fees, SFC transaction levies, the brokerage fees, together with the Stock Exchange listing fees, legal

and other professional fees, printing and other expenses relating to the Global Offering, payable by our Company are estimated to be approximately HK$234.6 million (collectively the "**Commission and Fees**"), which are subject to adjustment to be agreed by the Company, the Joint Global Coordinators and other parties; and

(b) the underwriting commissions and incentive fees, the Stock Exchange trading fees, SFC transaction levies, the brokerage fees and other expenses relating to the Sale Shares under the Global Offering expected to be borne by CS Sunshine are HK$43.7 million.

The Commission and Fees were determined after arm's length negotiation between the Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

Hong Kong Underwriters' Interests in Our Company

Save as disclosed in this prospectus, and save for the obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding or beneficial interests in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Placing

In connection with the International Placing, it is expected that our Company and the Selling Shareholder will enter into the International Underwriting Agreement with the Joint Global Coordinators (on behalf of the International Underwriters) on or about June 4, 2015. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, severally but not jointly, agree to procure subscribers or purchasers for the International Placing Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Placing Shares which are not taken up under the International Placing. Please refer to the section headed "Structure of the Global Offering—The International Placing" in this prospectus for details.

Our Company expects to grant to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require the Company to issue and allot up to an aggregate of 90,915,000 additional Shares, representing approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the same price per Offer Share under the International Placing, to, among other things, cover over-allocations in the International Placing, if any.

It is expected the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, 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. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Placing, together referred to as "Syndicate Members," may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, all of them (except for Goldman Sachs (Asia) L.L.C. or its designated affiliate as the Stabilizing Manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to 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) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the accounts of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity 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 the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase-the 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 the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section entitled "Structure of the Global Offering." Such activities may affect the market price or value of the Shares, the liquidity 'or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Goldman Sachs (Asia) L.L.C., as Stabilizing Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws, rules and regulatory requirements in place. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, or its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

The Stabilizing Manager, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

(a) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;

(b) in connection with any action described in paragraph (a) above:

  (i) over-allocate the Offer Shares; or (2) sell or agree to sell the Offer Shares so as to establish a short position in them;

  (ii) purchase or subscribe for or agree to purchase or subscribe for the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (i) above;

(iii) sell or agree to sell any of the Offer Shares to liquidate a long position held as a result of those purchases; or

(iv) offer or attempt to do anything as described in paragraph (b)(i)(2), (b)(ii) or (b)(iii) above.

The Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty regarding the extent to which and the time period for which it will maintain any such position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the Listing Date and ends on the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilization action may be taken, demand for the Shares, and therefore their market price, could fall.

Any stabilizing action taken by the Stabilizing Manager, its affiliates or any person acting for it may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 90,915,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

INDEPENDENCE OF THE JOINT SPONSORS

Save as disclosed below, each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Our non-executive Director, Mr. Liu Dong, is a managing director of CITIC PE in charge of investment in the healthcare sector, which is an affiliate company of CITIC Securities Corporate Finance (HK) Limited. CITICPE Holdings Limited, a limited partner of CPE, which holds less than 5% interest in CPE through its wholly-owned subsidiary, is also an affiliate company of CITIC Securities Corporate Finance (HK) Limited. In addition, another affiliate company of CITIC Securities Corporate Finance (HK) Limited, China CITIC Bank International Limited, is one of the lenders of the Group. Based on the above, CITIC Securities Corporate Finance (HK) Limited, one of our Joint Sponsors, is not expected to be independent pursuant to Rule 3A.07 of the Listing Rules. Please refer to the sections headed "Directors and Senior Management" and "History, Reorganization and Corporate Structure", respectively, for further details on Mr. Liu Dong and CPE.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises of:

(a) the Hong Kong Public Offering of initially 60,610,000 Shares (subject to reallocation) in Hong Kong as described in the paragraph headed "—The Hong Kong Public Offering" in this section; and

(b) the International Placing of an aggregate of initially 545,490,000 Shares comprising 424,270,000 New Shares and 121,220,000 Sale Shares (subject to reallocation and the Over-allotment Option) outside the United States in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or other available exemption from the registration requirements of the US Securities Act.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for the International Placing Shares under the International Placing, but may not do both.

The number of Hong Kong Offer Shares and International Placing Shares to be offered under the Hong Kong Public Offering and the International Placing respectively may be subject to reallocation as described in the paragraph headed "—Pricing and Allocation" in this section.

E Fund Management Co., Ltd. ("**E Fund**") as Qualified Domestic Institutional Investor will set up a fund (the "**QDII Fund**") and will offer the QDII Fund to its high net worth investors in the PRC in accordance with applicable PRC laws, regulations and regulatory documents. Those investors will include employees of the Group but procedures will be in place to ensure that those investors will not include any persons who are connected persons of the Group. It is expected that the economic interest and voting rights of less than 10% of the International Placing tranche will be passed through to the QDII Fund as the sole investment of the QDII Fund except for certain cash in deposit held to fund redemptions. The above arrangement will be achieved by an allocation of the Offer Shares to the QDII Fund. The QDII Fund has a maturity of 2 years which is set based on the expected holding horizon of the investors of the QDII Fund and estimations of the operating cost of the QDII Fund, and will be redeemed in full upon maturity. Redemptions of the QDII Fund will be permitted on a quarterly basis prior to maturity. No preferential treatment will be accorded to the QDII Fund in the allocation or the pricing of the Offer Shares in the International Placing. Our PRC Legal Advisor, Jingtian & Gongcheng, has advised that the offering of the QDII Fund to high net worth investors (including employees of the Group) by E Fund according to the offering memorandum of the QDII Fund approved by the China Securities Regulatory Commission and as permitted by PRC statutory procedures does not violate PRC laws, regulations and regulatory documents.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 60,610,000 Hong Kong Offer Shares at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of Shares between (i) the International Placing, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.50% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and 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.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "—Conditions of the Hong Kong Public Offering" in this section.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation 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 total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided into two pools for allocation purposes: 30,305,000 Hong Kong Public Offering Shares for pool A and 30,305,000 Hong Kong Public Offering Shares for pool B.

- Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less.

- Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B.

For the purpose of this sub-section only, the "subscription price" for Hong Kong Offer Shares means the price payable on application (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 30,305,000 Hong Kong Offer Shares will be rejected.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that the initial allocation of Offer Shares under the Hong Kong Public Offering shall be 10.0% of the Global Offering and in the event of oversubscription under the Hong Kong Public Offering, the Joint Global Coordinators, after consultation with us, shall apply an alternative clawback mechanism to the provisions under paragraph 4.2 of Practice Note 18 of the Listing Rules, following the closing of the application lists as follows:

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 12 times or more but less than 48 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 121,220,000 Shares, representing 20% of Offer Shares initially available under the Global Offering.

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 48 times or more but less than 80 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 181,830,000 Shares, representing 30% of the Offer Shares initially available under the Global Offering.

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 80 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be

reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 242,440,000 Shares, representing 40% of Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. Subject to the foregoing paragraph, the Joint Global Coordinators may in their discretion reallocate Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators will have the discretion (but shall not be under any obligation) to reallocate to the International Placing all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Placing Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/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 Offering are required to pay, on application, the maximum price of HK$9.10 per Offer Share in addition to the brokerage, SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, equal to a total of HK$4,595.85 for one board lot of 500 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "—Pricing and Allocation" in this section, is less than the maximum price of HK$9.10 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL PLACING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Placing will be 545,490,000 Shares (including 424,270,000 New Shares and 121,220,000 Sale Shares subject to reallocation and the Over-allotment Option), representing approximately 90% of the total number of Offer Shares initially available under the Global Offering.

Subject to the reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Placing will represent approximately 22.50% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. The International Placing will include selective marketing of Offer Shares to certain professional and institutional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs as defined in Rule 144A. The International Placing is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the paragraph headed "—Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the 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.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) 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 Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Placing may change as a result of the clawback arrangement described in the paragraph headed "—The Hong Kong Public Offering—Allocation" in this section, the exercise of the Over-allotment Option in whole or in part described in the paragraph headed "—Over-allotment Option" in this section, and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Placing to the Hong Kong Public Offering at the discretion of the Joint Global Coordinators.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, which will be exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 90,915,000 Shares, representing approximately 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Placing, to cover over-allocations in the International Placing, if any.

If the Over-allotment Option is exercised in full, the additional International Placing Shares to be issued pursuant thereto will represent approximately 3.61% of our Company's enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a public announcement will be made.

STABILIZING ACTION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the Offer Price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited. The price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day of the lodging of applications under the Hong Kong Public Offering. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilizing Manager will consider, among other things. the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of the Shares will be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws, rules and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager 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 Offering. The number of Offer Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely, 90,915,000 Offer Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) under the SFO include:

(a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our Shares;

(b) selling or agreeing to sell the 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 Shares;

(c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares;

(e) selling or agreeing to sell any of our Shares in order to liquidate any position held as a result of those purchases; and

(f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on July 4, 2015. As a result, demand for the Shares and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize,

maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market share of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around June 4, 2015 and in any event no later than June 8, 2015, by agreement between the Joint Global Coordinators, on behalf of the Underwriters, and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Placing based on the Hong Kong dollar price per Offer Share under the International Placing, as determined by the Joint Global Coordinators, on behalf of the Underwriters, and our Company.

The Offer Price will not be more than HK$9.10 per Offer Share and is expected to be not less than HK$8.30 per Offer Share, unless otherwise announced by the Company no later than the morning of the last day for lodging applications under the Hong Kong Public Offer, as further 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.

Price Payable on Application

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$9.10 per Hong Kong Offer Share (plus 1% brokerage, 0.0027% SFC

transaction levy and 0.005% Stock Exchange trading fee). If the Offer Price is less than HK$9.10, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before June 8, 2015, the Global Offering will not proceed and will lapse.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such 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 day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.3sbio.com**, notices of the reduction. Upon issue of such a notice, the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators, for themselves and on behalf of the Underwriters, and our Company, will be fixed within such a revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in the prospectus, use of proceeds, and any other financial information which may change materially as a result of such reduction. **If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application may or may not (depending on the information in the announcement) be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid.** In the absence of any such notice so published, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon by the Joint Global Coordinators, for themselves and on behalf of the Underwriters, and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Before submitting applications for the Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the level of indications of interest in the Global Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on June 10, 2015 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.3sbio.com**.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators, for themselves and on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Placing on or around the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be available pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(b) the Offer Price having been duly agreed between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters);

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of

any conditions by the Joint Global Coordinators, on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements in each case on or before the dates and times as specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than July 1, 2015 (i.e., the 30th day after the date of this prospectus).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before June 8, 2015, the Global Offering will not proceed and will lapse immediately.

The completion of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of Stock Exchange at **www.hkexnews.hk** and our Company at **www.3sbio.com** on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares—14. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" has not been exercised.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by the Hong Kong Securities Clearing Company Limited, or HKSCC.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the 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 Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on June 11, 2015, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on June 11, 2015. The Shares will be traded in board lots of 500 Shares each.

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 Joint Global Coordinators, 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 U.S. 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: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- 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, June 1, 2015 until 12:00 noon on Thursday, June 4, 2015 from:

(i) any of the following offices of the Joint Global Coordinators

Hong Kong Underwriters	Address
Morgan Stanley Asia Limited	Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Goldman Sachs (Asia) L.L.C.	68/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
CLSA Limited	18/F, One Pacific Place 88 Queensway Hong Kong
China International Capital Corporation Hong Kong Securities Limited	29/F, One International Finance Centre 1 Harbour View Street Central, Hong Kong

(ii) 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
	Hennessy Road Branch	399 Hennessy Road, Wanchai
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
	Aberdeen Branch	Shop 4A, G/F and Shop 1, 1/F, Aberdeen Centre Site 5, No.6-12 Nam Ning Street, Aberdeen

	Branch Name	Address
Kowloon	Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong, Kowloon
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 8A-10 Granville Road, Tsimshatsui
	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
	Lok Fu Shopping Centre Branch	Shop G201, G/F., Lok Fu Shopping Centre
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi
	Tai Po Branch	G/F shop No. 2, 23 - 25 Kwong Fuk Road, Tai Po Market, Tai Po

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, June 1, 2015 until 12:00 noon on Thursday, June 4, 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "**Horsford Nominees Limited — 3SBio 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, June 1, 2015—9:00 a.m. to 5:00 p.m.
- Tuesday, June 2, 2015—9:00 a.m. to 5:00 p.m.
- Wednesday, June 3, 2015—9:00 a.m. to 5:00 p.m.
- Thursday, June 4, 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, June 4, 2015, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application 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 Joint Global Coordinators (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 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 Joint Global Coordinators, 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 Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, 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 Joint Global Coordinators 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; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(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 check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund check(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 Joint Global Coordinators 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; and

(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.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE PROVIDER

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, June 1, 2015 until 11:30 a.m. on Thursday, June 4, 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, June 4, 2015, or such later time under the "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (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 the 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 for each "3SBIO INC." White Form eIPO application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang—Hong Kong Forest" project initiated by Friends of the Earth (HK).

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 +852 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 Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(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 Joint Global Coordinators 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 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 Joint Global Coordinators, 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 Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of 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 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 (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;

- 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 Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with 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 Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC 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 brokerage, 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 500 Hong Kong Offer Shares. Instructions for more than 500 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, June 1, 2015: . . . . . 9:00 a.m. to 8:30 p.m.[(1)]

- Tuesday, June 2, 2015: . . . . . 8:00 a.m. to 8:30 p.m.(1)
- Wednesday, June 3, 2015: . . . . . 8:00 a.m. to 8:30 p.m.(1)
- Thursday, June 4, 2015: . . . . . 8:00 a.m. (1) to 12:00 noon

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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, June 1, 2015 until 12:00 noon on Thursday, June 4, 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, June 4, 2015, the last application day or such later time as described in "10. 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 (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 Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, 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 Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators 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, June 4, 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 **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 500 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 500 Hong Kong Public 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 the section headed "Structure of the Global Offering—Pricing and Allocation" in this prospectus.

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 noon on Thursday, June 4, 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, June 4, 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 the section headed "Expected Timetable", 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 Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, June 10, 2015 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at **www.3sbio.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 Offering 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.3sbio.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, June 10, 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. Wednesday, June 10, 2015 to 12:00 midnight on Tuesday, June 16, 2015;

- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, June 10, 2015 to Saturday, June 13, 2015;

- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, June 10, 2015 to Friday, June 12, 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 the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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 **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with 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 Joint Global Coordinators, 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 does not grant permission to list the 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 check 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 or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

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$9.10 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering—Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, June 10, 2015.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund check(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 check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund checks and share certificates are expected to be posted on or before Wednesday, June 10, 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, June 11, 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 shares prior to the receipt of Share certificates or the 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 check(s) and/or share certificate(s) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, June 10, 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 Hong Kong Share Registrar.

If you do not collect your refund check(s) and/or 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 check(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, June 10, 2015 or before 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 check(s) will be sent to the address on the relevant Application Form on Wednesday, June 10, 2015 or before by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, June 10, 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 Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- **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 Offering in the manner described in the paragraph headed "—Publication of Results" in this section. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 pm on Wednesday, June 10, 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 Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, June 10, 2015 or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund checks.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, June 10, 2015 or before 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 check(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 Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, June 10, 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 Offering in the manner specified in the paragraph headed "—Publication of Results" in this section on Wednesday, June 10, 2015. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. Wednesday, June 10, 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, June 10, 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, June 10, 2015.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the 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 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 Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

1 June 2015

The Directors
3SBio Inc.
CITIC Securities Corporate Finance (HK) Limited
Goldman Sachs (Asia) L.L.C.
Morgan Stanley Asia Limited

Dear Sirs,

We set out below our report on the financial information of 3SBio Inc. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of profit or loss, statements of 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 as at 31 December 2012, 2013 and 2014, and the statements 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 1 June 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 incorporated as an exempted company with limited liability in the Cayman Islands on 9 August 2006. The Company is the holding company of the subsidiaries comprising the Group. Apart from investment holding, the Company has not commenced any other business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as the Company is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Company has direct and indirect 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 were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their 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 the 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 International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

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 and the Financial Information that give 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 and the Financial Information that are 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 to report our opinion thereon to you.

For the purpose of this report, we 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

	Notes	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
		RMB'000	RMB'000	RMB'000
REVENUE	5	656,145	875,396	1,130,854
Cost of sales		(70,504)	(83,179)	(87,481)
Gross profit		585,641	792,217	1,043,373
Other income and gains	5	28,416	24,159	47,763
Selling and distribution expenses		(304,419)	(340,643)	(431,432)
Administrative expenses		(82,091)	(159,207)	(170,770)
Other expenses and losses	6	(96,976)	(103,242)	(98,185)
Finance costs	7	—	—	(29,182)
Share of losses of associates		(165)	(4,576)	(1,383)
PROFIT BEFORE TAX	11	130,406	208,708	360,184
Income tax expense	11	(28,519)	(112,649)	(68,456)
PROFIT FOR THE YEAR		101,887	96,059	291,728
Attributable to:				
Owners of the parent	12	101,666	95,892	291,728
Non-controlling interests		221	167	—
		101,887	96,059	291,728

Details of the dividends payable and proposed for the Relevant Periods are disclosed in note 13 to the Financial Information.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
		RMB'000	RMB'000	RMB'000
PROFIT FOR THE YEAR		101,887	96,059	291,728
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS				
Available-for-sale investments:				
Change in fair value, net of tax		(11,621)	2,683	(439)
Reclassification adjustments for (gains)/losses included in the consolidated statement of profit or loss				
- gain on disposal, net of tax	5	—	(1,059)	—
- impairment losses, net of tax	6	20,610	—	—
		8,989	1,624	(439)
Exchange differences on translation of foreign operations		(463)	(2,333)	(7,495)
NET OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		8,526	(709)	(7,934)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		8,526	(709)	(7,934)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		110,413	95,350	283,794
Attributable to:				
Owners of the parent		110,192	95,183	283,794
Non-controlling interests		221	167	—
		110,413	95,350	283,794

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December 2012	31 December 2013	31 December 2014
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	224,245	247,938	373,990
Prepaid land lease payments	16	16,898	26,600	86,375
Goodwill	17	—	—	230,597
Other intangible assets	18	55,580	42,487	405,545
Advance payments for property, plant and equipment		5,743	3,234	1,176
Investments in a joint venture	20	—	—	103
Investments in associates	21	8,294	3,718	3,903
Long-term receivables	22	2,355	1,228	349
Available-for-sale investments	23	11,332	—	231,182
Due from a related party	43(b)	1,263	11,773	17,424
Deferred tax assets	25	4,620	4,404	11,551
Non-current deposits	29	30,000	—	—
Other non-current assets	24	991	856	1,619
Total non-current assets		361,321	342,238	1,363,814
CURRENT ASSETS				
Inventories	26	35,430	50,482	100,401
Trade and notes receivables	27	174,580	226,305	347,978
Prepaid expenses and other receivables	28	29,672	20,362	24,258
Due from related parties	43(b)	—	—	51,768
Available-for-sale investments	23	301,897	13,797	56,052
Cash and cash equivalents	29	160,218	268,202	107,612
Non-pledged time deposits with original maturity over three months when acquired	29	412,448	245,859	—
Pledged deposits	29	735	101,081	254,558
Total current assets		1,114,980	926,088	942,627
CURRENT LIABILITIES				
Trade and bills payables	30	3,765	7,034	25,638
Other payables and accruals	31	75,337	76,622	525,766
Due to related parties	43(b)	—	2,250	77,711
Deferred income	32	1,981	1,981	1,646
Interest-bearing bank borrowings	33	—	—	617,429
Tax payable		3,375	1,654	3,699
Total current liabilities		84,458	89,541	1,251,889
NET CURRENT ASSETS/(LIABILITIES)		1,030,522	836,547	(309,262)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,391,843	1,178,785	1,054,552

	Notes	31 December 2012	31 December 2013	31 December 2014
		RMB'000	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,391,843	1,178,785	1,054,552
NON-CURRENT LIABILITIES				
Deferred income	32	12,604	20,459	17,088
Deferred tax liabilities	25	—	65,000	73,621
Other liabilities	31	—	11,523	20,251
Total non-current liabilities		12,604	96,982	110,960
Net assets		1,379,239	1,081,803	943,592
EQUITY				
Equity attributable to owners of the parent				
Share capital	34	125	—	—
Share premium		972,374	591,636	366,448
Reserves		395,682	478,942	565,919
		1,368,181	1,070,578	932,367
Non-controlling interests		11,058	11,225	11,225
Total equity		1,379,239	1,081,803	943,592

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Director Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent										
	Share capital	Share premium	Share option reserve*	Contributed surplus*	Statutory surplus reserves*	Retained earnings*	Available-for-sale investment revaluation reserves*	Exchange fluctuation reserves*	Total	Non-controlling interests	Total equity
	RMB'000 (note 34)	RMB'000	RMB'000 (note 35)	RMB'000	RMB'000 (note 36)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	124	960,466	25,648	21,691	50,942	337,258	(3,642)	(158,383)	1,234,104	10,837	1,244,941
Profit for the year	—	—	—	—	—	101,666	—	—	101,666	221	101,887
Other comprehensive income for the year:											
Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	—	8,989	—	8,989	—	8,989
Exchange differences on translation of foreign operations	—	—	—	—	—	—		(463)	(463)	—	(463)
Total comprehensive income for the year	—	—	—	—	—	101,666	8,989	(463)	110,192	221	110,413
Transfer to statutory reserves	—	—	—	—	20,070	(20,070)	—	—	—	—	—
Shares issued under equity-settled share option arrangements	—	766	(266)	—	—	—	—	—	500	—	500
Equity-settled share option arrangements	—	—	153	—	—	—	—	—	153	—	153
Shares issued upon vesting of restricted shares ("RSs")/ restricted share units ("RSUs") granted	1	11,142	(11,143)	—	—	—	—	—	—	—	—
Equity-settled RS/RSU arrangements	—	—	23,232	—	—	—	—	—	23,232	—	23,232
Balances as of 31 December 2012	125	972,374	37,624	21,691	71,012	418,854	5,347	(158,846)	1,368,181	11,058	1,379,239

	Attributable to owners of the parent										
	Share capital	Share premium	Share option reserve*	Contributed surplus*	Statutory surplus reserves*	Retained earnings*	Available-for-sale investment revaluation reserves*	Exchange fluctuation reserves*	Total	Non-controlling interests	Total equity
	RMB'000 (note 34)	RMB'000	RMB'000 (note 35)	RMB'000	RMB'000 (note 36)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2012 and 1 January 2013	125	972,374	37,624	21,691	71,012	418,854	5,347	(158,846)	1,368,181	11,058	1,379,239
Profit for the year	—	—	—	—	—	95,892	—	—	95,892	167	96,059
Other comprehensive income for the year:											
Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	—	1,624	—	1,624	—	1,624
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(2,333)	(2,333)	—	(2,333)
Total comprehensive income for the year	—	—	—	—	—	95,892	1,624	(2,333)	95,183	167	95,350
Transfer to statutory reserves	—	—	—	—	14,413	(14,413)	—	—	—	—	—
Shares issued under equity-settled share option arrangements	—	3,264	(1,141)	—	—	—	—	—	2,123	—	2,123
Shares issued upon vesting of RSs/RSUs granted	6	77,194	(77,200)	—	—	—	—	—	—	—	—
Equity-settled RS/RSU arrangements	—	—	69,480	—	—	—	—	—	69,480	—	69,480
Shareholder contribution pursuant to equity-settled RS/RSU arrangements	—	—	—	25,701	—	—	—	—	25,701	—	25,701
Share options and RSs/RSUs cliff vested at privatisation	—	28,763	(28,763)	—	—	—	—	—	—	—	—
Upon privatisation	(131)	131	—	—	—	—	—	—	—	—	—
Dividend declared	—	(490,090)	—	—	—	—	—	—	(490,090)	—	(490,090)
Balances as of 31 December 2013	—	591,636	—	47,392	85,425	500,333	6,971	(161,179)	1,070,578	11,225	1,081,803

	Attributable to owners of the parent										
	Share capital	Share premium	Share option reserve*	Contributed surplus*	Statutory surplus reserves*	Retained earnings*	Available-for-sale investment revaluation reserves*	Exchange fluctuation reserves*	Total	Non-controlling interests	Total equity
	RMB'000 (note 34)	RMB'000	RMB'000 (note 35)	RMB'000	RMB'000 (note 36)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2013 and 1 January 2014	—	591,636	—	47,392	85,425	500,333	6,971	(161,179)	1,070,578	11,225	1,081,803
Profit for the year	—	—	—	—	—	291,728	—	—	291,728	—	291,728
Other comprehensive income for the year:											
Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	—	(439)	—	(439)	—	(439)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(7,495)	(7,495)	—	(7,495)
Total comprehensive income for the year	—	—	—	—	—	291,728	(439)	(7,495)	283,794	—	283,794
Shareholder contribution pursuant to equity-settled RSU arrangements	—	—	—	104,683	—	—	—	—	104,683	—	104,683
Dividend declared	—	(359,014)	—	—	—	(300,000)	—	—	(659,014)	—	(659,014)
Acquisition of non-controlling interests	—	—	—	(1,500)	—	—	—	—	(1,500)	—	(1,500)
Shareholder contribution for available-for-sale investments (note 23)	—	133,826	—	—	—	—	—	—	133,826	—	133,826
Balances as of 31 December 2014	—	366,448	—	150,575	85,425	492,061	6,532	(168,674)	932,367	11,225	943,592

* These reserve accounts comprised the consolidated other reserves of approximately RMB395,682,000, RMB478,942,000 and RMB565,919,000 in the consolidated statements of financial position as at 31 December 2012, 2013 and 2014, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		130,406	208,708	360,184
Adjustments for:				
Share of losses of associates	21	165	4,576	1,383
Bank interest income	5	(25,710)	(17,728)	(24,092)
Finance costs	7	—	—	29,182
Foreign exchange gains	5	(179)	(668)	(637)
Share-based compensation costs	35	22,844	95,207	104,683
Depreciation	15	24,360	26,908	30,889
Amortisation of other intangible assets	18	6,125	13,093	2,601
Recognition of prepaid land lease payments	6	550	685	764
Amortisation of long-term deferred expenditures	6	25	135	52
Recognition of deferred income	32	(1,312)	(1,981)	(2,188)
Impairment/(reversal of impairment) of trade receivables	27	(334)	1,221	(180)
Impairment of long-term receivables	22	—	826	475
Impairment of other receivables	28	—	5,692	—
Impairment of inventories	26	360	633	640
Impairment of available-for-sale investments	6	20,610	—	—
Gain on disposal of available-for-sale investments	5	—	(1,059)	—
Loss on disposal of items of property, plant and equipment	6	175	1,480	337
Loss/(gain) on disposal of subsidiaries	5,6	1,955	—	(9,911)
Increase in inventories		(8,061)	(15,549)	(10,424)
Decrease/(increase) in pledged deposits		(481)	118	(20)
Increase in trade and notes receivables		(12,875)	(52,278)	(59,296)
Increase in prepaid expenses and other receivables		(7,837)	(315)	(5,436)
Decrease/(increase) in amounts due from related parties		6,000	—	(8,081)
Decrease in long-term receivables		756	301	728
Increase/(decrease) in trade and bills payables		(2,453)	3,269	903

	Notes	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
		RMB'000	RMB'000	RMB'000
Increase/(decrease) in other payables and accruals		20,184	(6,866)	107,481
Increase in deferred income		4,822	—	—
Cash generated from operations		180,095	266,408	520,037
Income tax paid		(35,646)	(49,154)	(133,448)
Net cash flows from operating activities		144,449	217,254	386,589
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		28,696	21,891	33,038
Purchases of items of property, plant and equipment		(48,105)	(39,340)	(19,931)
Addition to other intangible assets		(6,000)	—	(6,000)
Increase in prepaid land lease payments		—	(10,617)	—
Purchase of available-for-sale investments		(291,227)	—	(137,356)
Proceeds from sale of available-for-sale investments		29,342	302,284	—
Proceeds from short term loans to third parties		2,000	—	—
Loans to an associate		(1,263)	(10,510)	(5,651)
Advances from a third party		—	11,523	2,128
Payment for pledged deposits		(650)	(519)	(117)
Proceeds from disposal of pledged deposits		7,044	55	520
Purchase of non-pledged time deposits		(422,272)	(214,705)	—
Proceeds from disposal of non-pledged time deposits		499,201	411,294	245,859
Acquisition of subsidiaries	37	(2,951)	—	(378,184)
Disposal of subsidiaries	38	(771)	—	(20,474)
Addition of investments		(3,428)	—	(1,568)
Addition of non-controlling interests		—	—	(1,500)
Proceeds from government grants		8,672	9,836	—
Proceeds from disposal of items of property, plant and equipment		192	1	19
Net cash flows (used in)/provided by investing activities		(201,520)	481,193	(289,217)

	Notes	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of shares		501	2,129	—
Dividends paid to owners of the Company		—	(490,090)	(659,014)
Pledged deposits for bank borrowings		—	(100,000)	(152,204)
Proceeds from bank borrowings		—	—	1,389,972
Repayments of bank borrowings		—	—	(800,543)
Interest paid		—	—	(28,601)
Net cash flows (used in)/provided by financing activities		501	(587,961)	(250,390)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(56,570)	110,486	(153,018)
Cash and cash equivalents at beginning of the year		217,145	160,218	268,202
Effect of foreign exchange rate changes on cash, net		(357)	(2,502)	(7,572)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		160,218	268,202	107,612
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	29	159,550	267,532	105,961
Restricted cash	29	668	670	1,651
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		160,218	268,202	107,612

STATEMENTS OF FINANCIAL POSITION

	Notes	31 December 2012	31 December 2013	31 December 2014
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	1,451	1,619	1,619
Investments in subsidiaries	19	62,911	92,183	92,183
Available-for-sale investments	23	11,332	—	67,783
Total non-current assets		75,694	93,802	161,585
CURRENT ASSETS				
Available-for-sale investments	23	10,670	13,797	13,458
Prepaid expenses and other receivables	28	860	211	2
Due from subsidiaries		657,519	188,742	108,243
Cash and cash equivalents	29	1,719	772	3,788
Non-pledged time deposits with original maturity over three months when acquired	29	19,010	9,872	—
Total current assets		689,778	213,394	125,491
CURRENT LIABILITIES				
Other payables and accruals	31	433	447	449
Total current liabilities		433	447	449
NET CURRENT ASSETS		689,345	212,947	125,042
TOTAL ASSETS LESS CURRENT LIABILITIES		765,039	306,749	286,627
NON-CURRENT LIABILITIES				
Other liabilities	31	—	11,523	13,651
Total non-current liabilities		—	11,523	13,651
Net assets		765,039	295,226	272,976
EQUITY				
Share capital	34	125	—	—
Share premium		992,952	575,233	295,160
Reserves	36	(228,038)	(280,007)	(22,184)
Total equity		765,039	295,226	272,976

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Director

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Director

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

3SBio Inc. (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Laws on 9 August 2006. It was listed on the National Association of Securities Dealers Automated Quotation (the "NASDAQ") on 7 February 2007. On 29 May 2013, the Company was delisted from the NASDAQ. The registered office address of the Company is the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries are principally engaged in the development, production, marketing and sale of pharmaceutical products in Mainland China.

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the section headed "History, Reorganization and Corporate Structure" in the Prospectus.

In the opinion of the Directors of the Company (the "Directors"), the immediate holding company and the ultimate holding company of the Company are Decade Sunshine Limited ("Decade Sunshine") and Century Sunshine Limited ("Century Sunshine"), respectively, both of which are incorporated in the Cayman Islands.

As at the date of this report, the Company had direct and indirect interests in its principal subsidiaries, comprising a limited liability partnership entity and private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Collected Mind Limited	British Virgin Islands(a) 3 May 2006	US$1	100%	—	Investment holding
Hongkong Sansheng Medical Limited ("Hongkong Sansheng")	Hong Kong(a) 3 November 2009	HK$2	—	100%	Investment holding
Shenyang Sunshine Pharmaceutical Co., Ltd. ("Shenyang Sunshine") (瀋陽三生製藥有限責任公司)	People's Republic of China ("PRC") except for Hong Kong and Macao ("Mainland China") (b) 3 January 1993	RMB170,000,000	—	100%	Manufacture and sale of pharmaceutical drugs and research and development

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Liaoning Sunshine Bio-Pharmaceutical Company Ltd. ("Liaoning Sunshine") (遼寧三生醫藥有限公司)	PRC/ Mainland China(c) 1 February 2000	RMB15,000,000	—	100%(c)	Distribution and sale of pharmaceutical drugs
Liaoning Sunshine Science and Technology Development Co., Ltd. (遼寧三生科技發展有限公司)	PRC/ Mainland China(a) 3 February 2010	RMB10,000,000	—	100%	Sale of pharmaceutical drugs
Taizhou Huan Sheng Investment Management Company Co., Ltd. (泰州環晟投資管理有限公司)	PRC/ Mainland China(d) 29 December 2010	RMB1,000,000	—	100%	Project management and consultation
Taizhou Huan Sheng Healthcare Industry Investment Centre LLP (泰州環晟健康產業投資中心)	PRC/ Mainland China(e) 30 May 2011	RMB250,000,000	—	80%	Investment holding
Excel Partner Holdings Limited ("Excel Partner") (特隆控股有限公司)	Hong Kong(f) 8 July 2010	HK$1	—	100%	Investment holding
Sirton Pharmaceuticals S.p.A. ("Sirton")	Italy(g) 22 November 2010	EURO300,000	—	100%	Pharmaceutical research and development
Ample Harvest Investments Limited ("Ample Harvest") (溢豐投資有限公司)	British Virgin Islands(a) 2 January 2003	US$10	—	100%	Investment holding
Shenzhen Baishitong Technology Development Limited Company ("Shenzhen Baishitong") (深圳市百士通科技開發有限公司)	PRC/ Mainland China(a) 8 March 2002	RMB500,000	—	100%	Investment holding
Shenzhen Sciprogen Bio-pharmaceutical Technology Co., Ltd. ("Sciprogen") (深圳賽保爾生物藥業有限公司)	PRC/ Mainland China(h) 22 March1999	RMB53,000,000	—	100%	Manufacture and sale of pharmacetical drugs and research and development

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangdong Sciprogen Bio-pharmaceutical Technology Co., Ltd. ("Guangdong Sciprogen") (廣東賽保爾生物醫藥技術有限公司)	PRC/ Mainland China(i) 30 June 2011	RMB10,000,000	—	100%	Manufacture and research and development of pharmaceutica drugs

Notes:

(a) No audited financial statements have been prepared during the Relevant Periods.

(b) The statutory financial statements of Shenyang Sunshine for each of the years ended 31 December 2012, 2013 and 2014, prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance (the "MOF") of the PRC in 2006 and other related regulations issued by the MOF (collectively "PRC GAAP"), were audited by Liaoning Huaqing Certified Public Accountants Co., Ltd. (遼寧華清會計師事務所有限公司), registered in the PRC.

(c) The statutory financial statements of Liaoning Sunshine for each of the years ended 31 December 2012, 2013 and 2014, prepared under PRC GAAP were audited by Liaoning Huaqing Certified Public Accountants Co., Ltd. (遼寧華清會計師事務所有限公司), registered in the PRC.

Shenyang Sunshine entered into a series of contractual arrangements with Liaoning Sunshine and Mr. Dan Lou, the sole shareholder of Liaoning Sunshine, to enable Shenyang Sunshine to maintain control over it, including: (1) a business cooperation agreement; (2) a purchase agreement for the acquisition of equity interests in Liaoning Sunshine; (3) a voting rights agreement; and (4) an equity pledge agreement (collectively, the "Agreements"). Pursuant to the Agreements, Liaoning Sunshine has been included in the consolidated financial statements as a special purpose entity ("SPE"). On 7 March 2014, Shenyang Sunshine entered into a termination contract of the Agreements, and a sale and purchase contract with Mr. Dan Lou to acquire his equity interests in Liaoning Sunshine at a consideration of RMB15,000,000, which is settled by cash of RMB1,500,000 and other receivables from Mr. Dan Lou of RMB13,500,000. Upon the completion of this transaction, Shenyang Sunshine has directly held 100% equity interest in Liaoning Sunshine.

(d) The statutory financial statements of Taizhou Huan Sheng Investment Management Company Co., Ltd. for each of the years ended 31 December 2012 and 2013 prepared under PRC GAAP were audited by Jiangsu Zhongtianhuaxia Certified Public Accountants Co., Ltd. (江蘇中天華夏會計師事務所有限公司), registered in the PRC. The statutory financial statements of Taizhou Huan Sheng Investment Management Company Co., Ltd. for the year ended 31 December 2014 prepared under PRC GAAP were audited by Taizhou Hongrun Certified Public Accountants (General Partnership) (泰州弘潤會計師事務所(普通合伙)), registered in the PRC.

(e) The statutory financial statements of Taizhou Huan Sheng Healthcare Industry Investment Centre LLP for each of the years ended 31 December 2012 and 2013 prepared under PRC GAAP were audited by Jiangsu Zhongtianhuaxia Certified Public Accountants Co., Ltd. (江蘇中天華夏會計師事務所有限公司), registered in the PRC. The statutory financial statements of Taizhou Huan Sheng Healthcare Industry Investment Centre LLP for the year ended 31 December 2014 prepared under PRC GAAP were audited by Taizhou Hongrun Certified Public Accountants (General Partnership) (泰州弘潤會計師事務所(普通合伙)), registered in the PRC.

(f) The statutory financial statements of Excel Partner Holdings Limited for the year ended 31 December 2013 prepared under Hong Kong Generally Accepted Accounting Principles were audited by PricewaterhouseCoopers, registered in the Hong Kong. No audited financial statements have been prepared for the year ended 31 December 2014.

(g) The statutory financial statements of Sirton Pharmaceuticals S.p.A. for each of the years ended 31 December 2012, 2013 and 2014 prepared under Italian laws governing the criteria for their preparation were audited by PricewaterhouseCoopers S.p.A., registered in the Italy.

(h) The statutory financial statements of Sciprogen for each of the years ended 31 December 2012, 2013 and 2014 prepared under PRC GAAP were audited by Shenzhen Zhonglian Certified Public Accountants Co., Ltd. (深圳中聯會計師事務所有限公司), registered in the PRC.

(i) The statutory financial statements of Guangdong Sciprogen for the year ended 31 December 2012 prepared under PRC GAAP were audited by Dongguan Junye Certified Public Accountants Co., Ltd. (東莞駿業會計師事務所), registered in the PRC. No audited financial statements have been prepared for the years ended 31 December 2013 and 2014.

The English names of these companies and auditors registered in the PRC represent the best effort made by the management of the Company to directly translate their Chinese names as they do not register any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the years ended 31 December 2012, 2013 and 2014. 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 and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; 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.

2.2 BASIS OF PREPARATION

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 convention, except for available-for-sale investments and certain financial assets which have been measured at fair value. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

The Group had net current assets of RMB1,030,522,000 and RMB836,547,000 as of 31 December 2012 and 2013, respectively, and net current liabilities of RMB309,262,000 as of 31 December 2014. In view of the net current liabilities position as of 31 December 2014, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the cash inflow from operations and the refinancing of bank borrowings upon their expiry by drawing down new bank borrowings, the Directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. To mitigate any liquidity issues that might be faced by the Group, the Group may curtail or defer its expansion plans based on the availability of sufficient funds. Accordingly, the Financial Information has been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The Financial Information does not include any adjustments that would result from the failure of the Group to continue in business as a going concern.

2.3 NEW AND REVISED IFRSs NOT YET ADOPTED

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in these financial statements.

IAS 19 Amendments	*Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements 2010-2012 Cycle and Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs[1]
IFRS 14	*Regulatory Deferral Accounts*[2]

IAS 16 and IAS 38 Amendments	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
IFRS 11 Amendments	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IAS 27 Amendments	*Equity Method in Separate Financial Statements*[2]
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
IAS 1 Amendments	*Disclosure Initiative*[2]
IFRS 10, IFRS 12 and IAS 28 Amendments	*Investment Entities: Applying the Consolidation Exception*[2]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[2]
IFRS 15	*Revenue from Contracts with Customers*[3]
IFRS 9	*Financial Instruments*[4]

[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 annual periods beginning on or after 1 January 2017

[4] 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 but is not yet in a position to state whether these new and revised IFRSs would have a significant impact on the Group's results of operations and financial position.

2.4 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 statement of 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.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

The results of associates and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5.

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

The Group measures its equity investments at fair value at the end of each reporting period. 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 reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties, goodwill and non-current assets/a disposal group classified as held for sale), 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 the statement of 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 reporting period 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.

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 the statement of 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 its estimated useful life. The estimated useful lives used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	10-45 years
Plant and machinery	5-12 years
Furniture and fixtures	2.5-10 years
Motor vehicles	4-10 years

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 the statement of 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 a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds 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 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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Exclusive distribution right	5 years
Intellectual Property ("IP") rights	14-20 years
Patent and technology know-how	5-20 years
Others	1-10 years
In Progress Research and Development ("IPR&D")	Indefinite useful life

Research and development costs

All research costs are charged to the consolidated statement of 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. Product development expenditure which does not meet these criteria is expensed when incurred. Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 the statement of 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 the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms of 30 to 50 years.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. 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

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Loans and receivables

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 the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or

losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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 reporting period 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 the statement of 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 the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans

After initial recognition, interest-bearing bank borrowings 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 the statement of 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 the statement of 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 the statement of 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 the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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 cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

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 the reporting period 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 the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

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 the reporting period, 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 the reporting period 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, associates and joint ventures, 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 carryforward 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 carryforward 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, associates and joint ventures, 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 reporting 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 utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period 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 the reporting 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.

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 the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of 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;

(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; and

(c) dividend income, when the shareholders' right to receive payment has been established.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 35 to the Financial Information.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Retirement benefits

The Group's subsidiaries operating in Mainland China participate in a central defined contribution retirement benefit plan managed by the local municipal government in the locations in which they operate. Contributions are made based on a percentage of the companies' payroll costs and are charged to the statement of profit or loss as they become payable in accordance with the rules of the central defined contribution retirement benefit plan.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Renminbi, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional 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 currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Renminbi at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Renminbi at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Tax provisions

Determining tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions, and tax provisions are set up accordingly. The tax treatment of such transactions is assessed periodically to take into account all the changes in the tax legislation and practices.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was approximately RMB230,597,000. Further details are given in note 17 to the Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment of all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial 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.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and all unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses 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, which affects the probability of utilisation and the tax rate to be used in the calculations. Details of deferred tax assets are contained in note 25 to the Financial Information.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of available-for-sale investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

Impairment of trade and other receivables

The Group determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition. Management reassesses the provisions at the end of each reporting period.

Estimation of inventory provision

The Group recognised a provision for inventories when the cost of inventories exceeded the net realisable value. The assessment of inventory provision requires management estimates on the future selling price and future cost to be incurred of the inventories. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying value of inventories and provision charge/write-back of provision. The Group also reviewed the condition of the inventories of the Group and made provision for obsolete inventory items identified that were no longer suitable for sale.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. Details of share-based payments are contained in note 33 to the Financial Information.

Useful lives, residual values and depreciation of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charges where useful lives are different to those previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expenses in the future periods.

4. OPERATING SEGMENT INFORMATION

The Group has only one operating segment, which is the development, production, marketing and sale of biopharmaceutical products.

Geographical information

(a) ***Revenue from external customers***

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
	RMB'000	RMB'000	RMB'000
Mainland China	616,105	836,069	1,106,093
Others	40,040	39,327	24,761
	656,145	875,396	1,130,854

The revenue information above is based on the locations of the customers.

The following is sales to the customer that individually comprises 10% or more of the Group's total revenue:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
	RMB'000	RMB'000	RMB'000
Beijing Tianxingpuxin Bio-Medical Co., Ltd.	69,254	*	*
Shanghai Siful Medicine Co., Ltd.	*	*	123,206

* Less than 10% of the total revenue

Information about major customers

Revenue of approximately RMB69,254,000 for the year ended 31 December 2012 was derived from Beijing Tianxingpuxin Bio-Medical Co., Ltd., which individually accounted for 11% of the Group's revenue. Revenue of approximately RMB123,206,000 for the year ended 31 December 2014 was derived from Shanghai Siful Medicine Co., Ltd., which individually accounted for 11% of the Group's revenue.

(b) ***Non-current assets***

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Mainland China	275,921	289,003	1,004,410
Others	35,230	35,230	98,298
	311,151	324,233	1,102,708

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

5. REVENUE, 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.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
	RMB'000	RMB'000	RMB'000
Revenue			
Sale of goods	669,949	887,804	1,140,179
Less: Business tax and government surcharges	(13,804)	(12,408)	(9,325)
	656,145	875,396	1,130,854
Other income			
Bank interest income	25,710	17,728	24,092
Government grants related to			
- Assets (a)	374	374	581
- Income (b)	524	2,625	6,440
Recovery of investor relationship fees	528	—	—
Consulting service income	938	1,607	1,607
Licensing income	—	—	3,975
Others	163	98	520
	28,237	22,432	37,215
Gain			
Gain on disposal of available-for-sale investments	—	1,059	—
Gain on disposal of a subsidiary	—	—	9,911
Foreign exchange differences	179	668	637
	179	1,727	10,548
	28,416	24,159	47,763

Notes:

(a) The Group has received certain government grants in the form of cash donations to purchase items of property, plant and equipment. The grants are initially recorded as deferred income and amortised to match the depreciation charge of the underlying property, plant and equipment in accordance with the assets' estimated useful lives (note 32).

(b) The government grants have been received for the Group's contribution to the development of the local pharmaceutical industry. There are no unfulfilled conditions or contingencies attaching to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	notes	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
		RMB'000	RMB'000	RMB'000
Cost of inventories sold		70,504	83,179	87,481
Depreciation of items of property, plant and equipment	15	24,360	26,908	30,889
Amortisation of other intangible assets	18	6,125	13,093	2,601
Recognition of prepaid land lease payments		550	685	764
Amortisation of long-term deferred expenditures		25	135	52
Operating lease expenses		3,470	2,988	3,962
Auditors' remuneration		5,125	3,777	4,650
Employee benefit expenses (excluding Directors' and chief executive's remuneration (note 8)):				
Wages, salaries and staff welfare		110,133	120,208	149,941
Equity-settled share option expenses		8,192	22,282	64,055
Pension scheme contributions		5,872	6,971	11,144
Social welfare and other costs		13,745	15,827	17,602
		177,597	212,874	285,660
Other expenses and losses:				
Research and development costs		73,561	93,508	96,375
Loss on disposal of items of property, plant and equipment		175	1,480	337
Provision/(reversal of provision) for impairment of trade receivables	27	(334)	1,221	(180)
Provision for impairment of long-term receivables	22	—	826	475
Provision for impairment of other receivables	28	—	5,692	—
Impairment on available-for-sale Investments		20,610	—	—
Loss on disposal of subsidiaries		1,955	—	—
Others		1,009	515	1,178
		96,976	103,242	98,185

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
	RMB'000	RMB'000	RMB'000
Interest on bank borrowings repayable within five years	—	—	29,182

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the years, disclosed pursuant to the Listing Rules, is as follows:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
	RMB'000	RMB'000	RMB'000
Fees	3,627	2,639	1,986
Other emoluments:			
Salaries, allowances, bonuses and other benefits	1,749	3,435	2,560
Pension scheme contributions	242	346	398
Equity-settled compensation cost	14,652	72,925	40,628
	20,270	79,345	45,572

Independent non-executive Directors

The fees paid to independent non-executive Directors during the Relevant Periods were as follows:

	Fees	Equity-settled compensation expense	Total remuneration
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2012			
Mr. Moujia Qi	38	189	227
Mr. Mingde Yu	164	189	353
Mr. Peiguo Cong	164	189	353
Mr. Lawrence S. Wizel	310	176	486
Mr. Tianruo Pu	379	—	379
	1,055	743	1,798

	Fees	Equity-settled compensation expense	Total remuneration
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2013*			
Mr. Moujia Qi	19	—	19
Mr. Mingde Yu	81	—	81
Mr. Peiguo Cong	81	—	81
Mr. Tianruo Pu	559	—	559
	740	—	740

	Fees	Equity-settled compensation expense	Total remuneration
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2014*			
Mr. David Ross Parkinson	—	—	—
Mr. Jun Ma	—	—	—
Mr. Tianruo Pu	—	—	—
	—	—	—

* The Company was privatised in May 2013 when all independent non-executive Directors retired and therefore only five months' emoluments were paid to those Directors in the year ended 31 December 2013. The appointment of three independent non-executive Directors by the Company had not taken effect and there were no emoluments paid to those directors in the year ended 31 December 2014.

Executive Directors and Non-executive Directors

	Fees	Salaries, allowances, bonuses and other benefits	Pension scheme contributions	Equity-settled compensation expense	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2012					
Executive Directors					
Mr. Dan Lou (a)	710	—	—	—	710
Dr. Jing Lou*	758	852	124	13,117	14,851
Mr. Bin Huang	631	381	59	526	1,597
Dr. Dongmei Su	473	516	59	266	1,314
	2,572	1,749	242	13,909	18,472

	Fees	Salaries allowances, bonuses and other benefits	Pension scheme contributions	Equity-settled compensation expense (e)	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2013					
Executive Directors					
Dr. Jing Lou*	743	1,471	192	44,989	47,395
Mr. Bin Huang (b)	258	325	27	1,490	2,100
Dr. Dongmei Su	464	550	65	25,161	26,240
Mr. Bo Tan (b)	434	1,089	62	1,285	2,870
	1,899	3,435	346	72,925	78,605

	Fees	Salaries allowances, bonuses and other benefits	Pension scheme contributions	Equity-settled compensation expense (e)	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2014					
Executive Directors					
Dr. Jing Lou*	737	912	190	—	1,839
Mr. Bo Tan	737	1,043	130	22,316	24,226
Dr. Dongmei Su	461	565	72	18,312	19,410
Mr. Bin Huang (c)	51	40	6	—	97
	1,986	2,560	398	40,628	45,572
Non-executive Directors					
Mr. Dong Liu (d)	—	—	—	—	—
Mr. Dong Lv (d)	—	—	—	—	—
	1,986	2,560	398	40,628	45,572

* Dr. Lou Jing who acts as an executive Director of the Company has been also the chief executive officer and president of the Company.

During the Relevant Periods, certain executive Directors, independent non-executive Directors and the chief executive were granted RSs and RSUs, in respect of their services to the Group, under the share incentive plan of the Group, further details of which are set out in note 35 to the Financial Information. The fair value of such RSs and RSUs, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Financial Information for the Relevant Periods is included in the above Directors' and chief executive's remuneration disclosures.

There was no arrangement under which a Director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

Note:

(a) Mr. Dan Lou resigned as executive Director on 1 April 2012.

(b) Mr. Bin Huang resigned as executive Director on 29 May 2013. Mr. Bo Tan was appointed as executive Director on 29 May 2013.

(c) Mr. Bin Huang was appointed as executive Director on 27 November 2014.

(d) Mr. Dong Liu and Mr. Dong Lv were appointed as non-executive Director on 27 November 2014. There were no emoluments paid to non-executive Directors in the year ended 31 December 2014.

(e) The equity-settled compensation expenses include the effects arising from the cliff vesting of share options, RSs and RSUs as part of privatisation and special grants of RSUs received from Century Sunshine on 31 August 2013 and 31 August 2014, respectively (note 35).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included 3, 4, and 3 Directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining 2, 1, and 2 highest paid employees who are neither a Director nor chief executive of the Company for the Relevant Periods are as follows:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
	RMB'000	RMB'000	RMB'000
Salaries, allowances, bonuses and other benefits	4,507	970	1,961
Pension scheme contributions	160	65	174
Equity-settled compensation expense (a)	3,337	637	51,245
	8,004	1,672	53,380

The numbers of non-Director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees		
	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
RMB1,000,001 to RMB1,500,000	1	—	—
Over RMB1,500,000	1	1	2
	2	1	2

During the Relevant Periods, RSs and RSUs were granted to non-Director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 35 to the Financial Information. The fair value of share options, RSs and RSUs, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the Relevant Periods is included in the above non-Director and non-chief executive highest paid employees' remuneration disclosures.

Note:

(a) The equity-settled compensation expenses include the effects arising from the cliff vesting of share options, RSs and RSUs as part of privatisation and special grants of RSUs received from Century Sunshine on 31 August 2013 and 31 August 2014, respectively (note 35).

10. PENSION SCHEMES

The Company's PRC subsidiaries are required to participate in the retirement benefit scheme operated by the relevant local government authority in Mainland China. The relevant local government authority in Mainland China is responsible for the pension liabilities payable to retired employees. The Group is required to make contributions for those employees who are registered as permanent residents in Mainland China and are within the scope of the relevant PRC regulations at 20% of the employees' salaries for the Relevant Periods.

The Group's contributions to the retirement benefit scheme for the years ended 31 December 2012, 2013 and 2014 amounted to approximately RMB6,114,000, RMB7,317,000 and RMB11,542,000, respectively.

11. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the relevant rules and regulations of the Cayman Islands and the BVI, the Company and the subsidiaries of the Group incorporated therein are not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong profits tax has been made for the Relevant Periods as the Group had no assessable profits arising in Hong Kong.

Under the relevant PRC income tax law, except for Shenyang Sunshine and Sciprogen which enjoy certain preferential treatment available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% on their respective taxable income.

Shenyang Sunshine and Sciprogen are qualified as High and New Technology Enterprises and are subject to a preferential income tax rate of 15% for the Relevant Periods.

In accordance with relevant Italian tax regulations, Sirton is subject to an income tax rate of 31.4%. There have not been any income tax provision made for the Relevant Periods since Sirton was acquired on 31 December 2014.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate of 5% may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors.

An analysis of the provision for tax in the financial statements is as follows:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
Current	30,127	47,433	131,093
Deferred (note 25)	(1,608)	65,216	(62,637)
Total tax charge for the year	28,519	112,649	68,456

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for Mainland China to the tax expense at the effective tax rates is as follows:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
	RMB'000	RMB'000	RMB'000
Profit before tax	130,406	208,708	360,184
At the PRC's statutory income tax rate of 25%	32,602	52,177	90,046
Preferential income tax rates applicable to subsidiaries	(19,022)	(31,807)	(42,939)
Additional deductible allowance for research and development expenses	(6,081)	(6,649)	(8,978)
Effect of non-deductible expense	3,346	12,244	22,240
Withholding tax	159	65,000	3,676
Tax losses utilised from previous periods	(1,013)	(777)	(2,261)
Tax losses not recognised	18,786	22,613	6,766
Others	(258)	(152)	(94)
Tax charge at the Group's effective rate	28,519	112,649	68,456

The effective tax rates of the Group were 21.9%, 54.0% and 19.0% in 2012, 2013 and 2014, respectively.

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profits attributable to owners of the parent for the years ended 31 December 2012, 2013 and 2014 included losses of approximately RMB24,051,000, RMB36,906,000 and a profit of RMB556,088,000, respectively, which have been dealt with in the financial statements of the Company (note 36).

13. DIVIDENDS

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
	RMB'000	RMB'000	RMB'000
Proposed and declared dividend	—	490,090	659,014

Pursuant to the Company's resolutions of the board dated 30 June 2013, 31 March 2014 and 28 October 2014, the Company proposed 2013 and 2014 dividends with the aggregated amounts of approximately US$79,319,000 and US$107,152,000, respectively, which were approved by Decade Sunshine, the sole shareholder, on the same dates. Decade Sunshine used the dividends to settle the amounts due to the Company.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

No earnings per share information is presented as its inclusion is not considered meaningful for the purpose of this report.

15. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2012

	Land and buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012:						
Cost	102,864	118,923	45,587	5,954	10,920	284,248
Accumulated depreciation	(27,847)	(33,474)	(20,785)	(4,089)	—	(86,195)
Net carrying amount	75,017	85,449	24,802	1,865	10,920	198,053
At 1 January 2012, net of accumulated depreciation	75,017	85,449	24,802	1,865	10,920	198,053
Additions	11,516	11,806	2,262	799	31,111	57,494
Disposals	(2,173)	(4,344)	(243)	(182)	—	(6,942)
Depreciation provided during the year	(7,002)	(11,645)	(4,891)	(822)	—	(24,360)
Transfers	—	1,028	—	—	(1,028)	—
At 31 December 2012, net of accumulated depreciation	77,358	82,294	21,930	1,660	41,003	224,245
At 31 December 2012:						
Cost	111,874	124,411	45,529	4,959	41,003	327,776
Accumulated depreciation	(34,516)	(42,117)	(23,599)	(3,299)	—	(103,531)
Net carrying amount	77,358	82,294	21,930	1,660	41,003	224,245

Group

31 December 2013

	Land and buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013:						
Cost	111,874	124,411	45,529	4,959	41,003	327,776
Accumulated depreciation	(34,516)	(42,117)	(23,599)	(3,299)	—	(103,531)
Net carrying amount	77,358	82,294	21,930	1,660	41,003	224,245
At 1 January 2013, net of accumulated depreciation	77,358	82,294	21,930	1,660	41,003	224,245
Additions	390	11,002	6,085	28	34,691	52,196
Disposal	(1,226)	(198)	(171)	—	—	(1,595)
Depreciation provided during the year	(8,236)	(12,678)	(5,357)	(637)	—	(26,908)
Transfers	15,724	13,969	—	—	(29,693)	—
At 31 December 2013, net of accumulated depreciation	84,010	94,389	22,487	1,051	46,001	247,938
At 31 December 2013:						
Cost	123,309	148,153	50,896	4,987	46,001	373,346
Accumulated depreciation	(39,299)	(53,764)	(28,409)	(3,936)	—	(125,408)
Net carrying amount	84,010	94,389	22,487	1,051	46,001	247,938

Group

31 December 2014

	Land and buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014:						
Cost	123,309	148,153	50,896	4,987	46,001	373,346
Accumulated depreciation	(39,299)	(53,764)	(28,409)	(3,936)	—	(125,408)
Net carrying amount	84,010	94,389	22,487	1,051	46,001	247,938
At 1 January 2014, net of accumulated depreciation	84,010	94,389	22,487	1,051	46,001	247,938
Additions	—	494	3,830	1,267	11,620	17,211
Acquisition of subsidiaries (note 37)	84,433	45,441	3,027	577	7,486	140,964
Disposal	—	(62)	(325)	—	—	(387)
Disposal of a subsidiary (note 38)	(539)	(4)	(15)	—	(289)	(847)
Depreciation provided during the year	(10,300)	(14,587)	(5,548)	(454)	—	(30,889)
Transfers	44,351	7,137	481	—	(51,969)	—
At 31 December 2014, net of accumulated depreciation	201,955	132,808	23,937	2,441	12,849	373,990
At 31 December 2014:						
Cost	251,453	200,831	56,053	6,831	12,849	528,017
Accumulated depreciation	(49,498)	(68,023)	(32,116)	(4,390)	—	(154,027)
Net carrying amount	201,955	132,808	23,937	2,441	12,849	373,990

A freehold land with a carrying amount of approximately RMB3,796,000 as at 31 December 2014 is situated in Italy.

The Group is in the process of applying for the title certificates of certain of its buildings with an aggregate book values of approximately RMB37,819,000, RMB35,801,000 and RMB74,217,000 as at 31 December 2012, 2013 and 2014, respectively. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned buildings. The Directors are also of the opinion that the aforesaid matter does not have any significant impact on the Group's financial position as at 31 December 2012, 2013 and 2014.

Certain of the Group's property, plant and equipment with a net book value of approximately RMB98,990,000 as at 31 December 2014 have been pledged as security for the Group's interest-bearing bank borrowings (note 33).

Company

31 December 2012

	Construction in progress
	RMB'000
At 1 January 2012:	
At 1 January 2012	1,036
Additions	415
At 31 December 2012	1,451

31 December 2013

	Construction in progress
	RMB'000
At 1 January 2013:	
At 1 January 2013	1,451
Additions	168
At 31 December 2013	1,619

31 December 2014

	Construction in progress
	RMB'000
At 1 January 2014:	
At 1 January 2014	1,619
Additions	—
At 31 December 2014	1,619

16. PREPAID LAND LEASE PAYMENTS

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Prepaid land lease payments	17,448	27,380	88,670

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Prepaid land lease payments	17,448	27,380	88,670
Current portion included in prepaid expenses and other receivables (note 28)	(550)	(780)	(2,295)
Non-current portion	16,898	26,600	86,375

The balance represented the amount paid to the PRC government authorities for the land use rights which are amortised on the straight-line basis over the lease periods of 30 years to 50 years of land situated in Mainland China.

Certain of the Group's prepaid land lease payments with a net book value of approximately RMB7,128,000 as at 31 December 2014 have been pledged as security for the Group's interest-bearing bank borrowings (note 33).

17. GOODWILL

Group

	Note	RMB'000
Cost at 1 January 2014		—
Acquisition of subsidiaries	37	230,597
Cost and net carrying amount at 31 December 2014		230,597
At 31 December 2014:		
Cost		230,597
Accumulated impairment		—
Net carrying amount		230,597

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the group of pharmaceutical products cash-generating units ("CGUs") which is the sole group of CGUs of the Group.

The recoverable amount of the group of CGUs has been determined based on a value in use calculation using cash flow projections which is based on financial forecast approved by the Company's Directors covering a period of six years ("Forecast Period"). The discount rate applied to the cash flow projections is 16.8%, which is determined by reference to the average rates for similar industry and the business risk of the relevant business units. The growth rate used to extrapolate the cash flows beyond the Forecast Period is 3%.

In the opinion of the Company's Directors, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the group of CGUs' carrying amount to exceed its recoverable amount.

Assumptions were used in the value in use calculation of the group of CGUs as at 31 December 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Gross margins — Gross margins are based on the average gross margins achieved in the year immediately before the forecast year and are increased over the Forecast Period for anticipated efficiency improvements and expected market development.

Discount rate —The discount rate used is before tax and reflects specific risks relating to the relevant group of CGUs.

Growth rate — The growth rate is based on historical sales over the last three years and expected growth rates of the pharmaceutical market according to published industry research.

The values assigned to the key assumptions are consistent with external information sources.

18. OTHER INTANGIBLE ASSETS

Group

31 December 2012

	Exclusive distribution right	IP rights	Patent and technology know-how	IPR&D	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost at 1 January 2012, net of accumulated amortisations	1,925	5,451	6,809	35,229	201	49,615
Additions	—	—	12,000	—	2,713	14,713
Disposal	—	—	—	—	(2,623)	(2,623)
Amortisations provided during the year	(1,100)	(378)	(4,542)	—	(105)	(6,125)
At 31 December 2012	825	5,073	14,267	35,229	186	55,580
At 31 December 2012 and at 1 January 2013						
Cost	5,500	5,829	20,097	35,229	219	66,874
Accumulated amortisations	(4,675)	(756)	(5,830)	—	(33)	(11,294)
Net carrying amount	825	5,073	14,267	35,229	186	55,580

31 December 2013

	Exclusive distribution right	IP rights	Patent and technology know-how	IPR&D	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost at 1 January 2013, net of accumulated amortisations	825	5,073	14,267	35,229	186	55,580
Amortisations provided during the year	(825)	(378)	(11,875)		(15)	(13,093)
At 31 December 2013	—	4,695	2,392	35,229	171	42,487
At 31 December 2013 and at 1 January 2014						
Cost	5,500	5,829	20,097	35,229	219	66,874
Accumulated amortisations	(5,500)	(1,134)	(17,705)	—	(48)	(24,387)
Net carrying amount	—	4,695	2,392	35,229	171	42,487

31 December 2014

	Exclusive distribution right	IP rights	Patent and technology know-how	IPR&D	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost at 1 January 2014, net of accumulated amortisations	—	4,695	2,392	35,229	171	42,487
Acquisition of subsidiaries (note 37)	—	—	336,700	—	28,959	365,659
Amortisations provided during the year	—	(378)	(2,208)	—	(15)	(2,601)
At 31 December 2014	—	4,317	336,884	35,229	29,115	405,545
At 31 December 2014						
Cost.....	5,500	5,829	356,797	35,229	29,178	432,533
Accumulated amortisations ...	(5,500)	(1,512)	(19,913)	—	(63)	(26,988)
Net carrying amount	—	4,317	336,884	35,229	29,115	405,545

Impairment testing of IPR&D

The IPR&D was acquired from a third party and its useful life is considered indefinite until the completion or abandonment of the related research and development efforts. IPR&D is not amortised but tested individually for impairment annually. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable.

The recoverable amount of IPR&D has been determined based on a value in use calculation using cash flow projections which is based on financial forecast approved by the Company's Directors. The discount rate applied to the cash flow projections is 26.0%, which is determined by reference to the average rates for in progress research and development projects with similar business risk and after taking into account for the risk premium in connection with the related research and development efforts.

In the opinion of the Company's Directors, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the IPR&D' carrying amount to exceed its recoverable amount.

Assumptions were used in the value in use calculation of IPR&D as at 31 December 2012, 2013 and 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of IPR&D:

Discount rate —The discount rate used is before tax and reflects specific risks in respect of the related research and development efforts.

Royalty rate — The royalty rate is based on similar royalty rates charged by third parties in pharmaceutical and biotech industry.

The values assigned to the key assumptions are consistent with external information sources.

19. INVESTMENTS IN SUBSIDIARIES

Company

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	62,911	92,183	92,183

As at 31 December 2012, 2013 and 2014, the amounts due from subsidiaries included in the Company's current assets of approximately RMB657,519,000, RMB188,742,000 and RMB108,243,000 were unsecured, interest-free and repayable on demand.

20. INVESTMENT IN A JOINT VENTURE

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	—	—	103
At 1 January	—	—	—
Acquisition of subsidiaries (note 37)	—	—	103
At 31 December	—	—	103

Particulars of the Group's joint venture is as follows:

Name	Registered capital	Place of registration and business	Percentage of Ownership interest	Voting power	Profit sharing	Principal activities
Injenerics Srl ("Injenerics")	EURO10,000	Italy	50	50	50	Research and development

The following table illustrates the financial information of the Group's joint venture:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
	RMB'000	RMB'000	RMB'000
Share of joint venture's result:			
Net profit	—	—	—
Total comprehensive income	—	—	—

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in the joint venture	—	—	103

21. INVESTMENTS IN ASSOCIATES

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	8,704	8,704	10,272
Share of net assets			
At 1 January	1,755	8,294	3,718
Additions	6,704	—	1,568
Share of losses	(165)	(4,576)	(1,383)
At 31 December	8,294	3,718	3,903

Particulars of the Group's associates are as follows:

Name	Registered capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Ascentage Shanghai Pharmaceutical Co., Ltd. (a) ("Ascentage Shanghai").....	RMB5,000,000	PRC/ Mainland China	40	40	40	Research and development
Ascentage Pharma Group Co., Ltd. (a)(b) ("Ascentage Pharma")	US$2,142	PRC/ Hong Kong	40	40	40	Research and development
Davita-3SBio Healthcare Management (a) (Liaoning) Co., Ltd. ("DaVita JV").....	RMB6,060,000	PRC/ Mainland China	30	30	30	Healthcare management

Note:

(a) Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(b) By the end of 31 December 2011, the share of losses of Ascentage Pharma has exceeded the Group's interests in Ascentage Pharma. Therefore, the Group has discontinued the recognition of its share of losses.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
	RMB'000	RMB'000	RMB'000
Share of the associates' results:			
Net losses.....	(165)	(4,576)	(1,383)
Total comprehensive losses.....	(165)	(4,576)	(1,383)

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in the associates	8,294	3,718	3,903

22. LONG-TERM RECEIVABLES

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Long-term receivables	3,173	2,872	2,468
Provision for impairment of long-term receivables	(818)	(1,644)	(2,119)
	2,355	1,228	349

The Group's long-term receivables are due from third-party customers, and are to be repaid in monthly instalments over 3 to 5 years. The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group does not obtain collateral from customers. Long-term receivables are unsecured and non-interest-bearing.

The movements in provision for impairment of long-term receivables are as follows:

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Balance at beginning of the year	818	818	1,644
Charge for the year	—	826	475
Balance at end of the year	818	1,644	2,119

The individually impaired long-term receivables relate to customers that were in financial difficulties or were in default and only a portion of the receivables is expected to be recovered.

23. AVAILABLE-FOR-SALE INVESTMENTS

An analysis of the balances of available-for-sale investments is as follows:

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Current			
Investments in bank financial products, at cost (i)	291,227	—	42,000
Listed equity investments, at fair value (ii)	10,670	13,797	14,052
	301,897	13,797	56,052
Non-current			
Corporate debt securities, at fair value	11,332	—	—
Unlisted equity investments, at cost (iii)	—	—	231,182
	11,332	—	231,182

Company

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Current			
Listed equity investments, at fair value (ii)	10,670	13,797	13,458
Non-current			
Corporate debt securities, at fair value	11,332	—	—
Unlisted equity investments, at cost (iii)	—	—	67,783
	11,332	—	67,783

(i) The investments in bank financial products are related to short term financial products issued by major banks in Mainland China (including Bank of China, China Merchants Bank, China Construction Bank, Bank of Communications, Industrial Bank and Ping An Bank). Such investment products were unsecured with no guaranteed return amount and with original maturity of less than one year. The Directors are of the opinion that the fair values of these investments cannot be reliably measured and thus such investments were stated at cost less impairment.

Certain of the Group's available-for-sale investments with a net book value of RMB40,000,000 as at 31 December 2014 have been pledged as security for the Group's interest-bearing bank borrowings (note 33).

(ii) The current available-for-sale financial assets also include equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate. The fair value of the listed equity investment is derived from quoted price in an active market.

(iii) In December 2014, the Group acquired approximately 6.96% of the equity interest in Shanghai CP Guojian Pharmaceutical Co., Ltd. ("CP Guojian") through the following arrangement:

Pursuant to two sale and purchase agreements dated 28 November 2014, Shenyang Sunshine acquired approximately 1.89% and 0.87% of equity interests in CP Guojian from Suzhou Industrial Park Unicorn Venture Capital Co., Ltd. ("Suzhou Industrial Park") and Beijing Meijin Investment Co., Ltd. ("Beijing Meijin"), respectively, at considerations of approximately RMB37,502,000 and RMB17,309,000, respectively. These two acquisitions were duly completed on 10 December 2014.

Pursuant to two interest transfer agreements dated 15 December 2014 (the "Transfer Agreements"), Shenyang Sunshine and Liaoning Sunshine respectively acquired 23.5% and 76.5% interests in Shanghai Pudong Tianyu Investment Development Center (Limited Partnership) ("Shanghai Pudong Tianyu") from Ms. Kuai Yuqin and Mr. Qu Rongliang, respectively, at nil consideration. Shanghai Pudong Tianyu held 2.15% of equity interest in CP Guojian. Pursuant to the Transfer Agreements: (i) Shenyang Sunshine and Liaoning Sunshine contributed RMB10,000,000 and approximately RMB32,546,000, respectively, to Shanghai Pudong Tianyu as their partnership contribution; (ii) Liaoning Sunshine became the general partner of Shanghai Pudong Tianyu; and (iii) Shanghai Pudong Tianyu paid Shanghai Pudong Lingyu Investment Development Centre (Limited Partnership) a sum of approximately RMB42,546,000 to settle the consideration payable for the acquisition of 2.15% of equity interest in CP Guojian. The transfers of the interests were duly completed on 29 December 2014.

As part of the aforementioned acquisitions, on 16 December 2014, Century Sunshine issued and allotted 990,393 shares, 872,978 shares and 402,913 shares to Fu Chuang Limited ("Fu Chuang"), Ever Diligent Holdings Limited ("Ever Diligent") and Thrive Path Limited ("Thrive Path"), respectively, at the subscription prices of approximately US$6,953,000, US$6,128,000 and US$2,828,000 in cash, respectively. The subscription prices translated to RMB approximate the cash considerations paid by the Group to Shanghai Pudong Tianyu, Suzhou Industrial Park and Beijing Meijin, respectively, who are the related parties of Fu Chuang, Ever Diligent and Thrive Path, respectively. The available-for-sale investments in Shanghai Pudong Tianyu, Suzhou Industrial Park and Beijing Meijin were all measured at the value of the shares issued by Century Sunshine which were in an aggregate amount of approximately RMB163,399,000 on the acquisition dates. The excess of the value of shares issued by Century Sunshine over the cash paid by the Group was approximately RMB66,043,000 which was recorded as shareholders' contribution in the equity of the Group.

On 31 December 2014, Century Sunshine and the Company entered into a share exchange agreement with CICC Harvest Limited, pursuant to which the Company agreed to acquire the entire equity interest in CICC Bio Investments Limited ("CICC Bio") which held approximately 2.04% of equity interests in CP Guojian. Century Sunshine issued and allotted 940,130 shares to CICC Harvest Limited as the consideration for this acquisition. The share exchange was duly completed on 31 December 2014. The available-for-sale investment in CICC Bio was measured at the value of the shares issued by Century Sunshine which was approximately RMB67,783,000 on 31 December 2014 and was recorded as shareholders' contribution in the equity of the Group.

Non-current available-for-sale financial assets consist of corporate bonds and equity investments in unlisted companies. Corporate bonds are due after one year. As at 31 December 2014, unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

24. OTHER NON-CURRENT ASSETS

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Other non-current assets:			
Other deposits	600	600	600
Long-term deferred expenditures	391	256	1,019
	991	856	1,619

25. DEFERRED INCOME TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

Group

	Accruals	Impairment of inventories	Decelerated depreciation for tax purposes	Provision for trade and other receivables	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 1 January 2012	2,373	101	312	113	113	3,012
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 11)	1,576	(53)	23	25	37	1,608
Gross deferred tax assets at 31 December 2012 and 1 January 2013	3,949	48	335	138	150	4,620
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 11)	(306)	6	22	(7)	69	(216)
Gross deferred tax assets at 31 December 2013 and 1 January 2014	3,643	54	357	131	219	4,404
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 11)	2,719	61	(932)	(93)	(442)	1,313
Acquisition of subsidiaries (note 37)	2,138	195	1,446	588	1,467	5,834
Gross deferred tax assets at 31 December 2014	8,500	310	871	626	1,244	11,551

Deferred tax assets have not been recognised in respect of the following items:

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Tax losses arising in Mainland China (a)	3,164	3,108	4,450
Tax losses arising in Hong Kong and other countries (b)	25,082	46,389	50,685
Deductible temporary differences	3,452	4,037	2,338
	31,698	53,534	57,473

Notes:

(a) The tax losses are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose in Mainland China.

(b) Except the tax losses incurred by Hongkong Sansheng which are available indefinitely for offsetting against its future taxable profits, the tax losses arising in the tax exempted entities in other countries could not be utilised to offset against future profit.

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that tax profits will be available against which the above items can be utilised.

The movements in deferred tax liabilities during the Relevant Periods are as follows:

Group

	Fair value adjustment arising from acquisitions of subsidiaries	Withholding taxes on the distributable profits of the Group's subsidiaries in Mainland China	Total
	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 31 December 2012 and 1 January 2013	—	—	—
Deferred tax charged to the consolidated statement of profit or loss during the year	—	65,000	65,000
Gross deferred tax liabilities at 31 December 2013 and 1 January 2014	—	65,000	65,000
Deferred tax credited to the consolidated statement of profit or loss during the year (note 11)	—	(61,324)	(61,324)
Acquisition of subsidiaries (note 37)	69,945	—	69,945
Gross deferred tax liabilities at 31 December 2014	69,945	3,676	73,621

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax arrangement between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated since 1 January 2008. At 31 December 2013 and 2014, the Directors, based on the Group's expansion plan in Mainland China and the cash flow needs overseas, estimated that the retained earnings of its subsidiaries established in Mainland China that were subject to future dividend distribution amounted to RMB650,000,000 and approximately RMB36,763,000, respectively. A 10% deferred tax liability amounting to RMB65,000,000 and approximately RMB3,676,000 was recognised at 31 December 2013 and 2014, respectively, based on the aforementioned applicable withholding tax rate of 10%. The retained earnings of these subsidiaries established in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB548,687,000, RMB164,155,000 and RMB529,194,000 as at 31 December 2012, 2013 and 2014, respectively.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

26. INVENTORIES

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Raw materials	5,617	10,100	22,648
Work in progress	16,696	24,695	57,108
Finished goods	10,569	12,034	13,953
Consumables and packaging materials	2,871	4,014	8,082
	35,753	50,843	101,791
Impairment	(323)	(361)	(1,390)
	35,430	50,482	100,401

The amounts of write-down of inventories recognised as an expense were approximately RMB360,000, RMB633,000 and RMB640,000 for the years ended 31 December 2012, 2013 and 2014, respectively.

27. TRADE AND NOTES RECEIVABLES

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Trade receivables	117,770	147,267	227,402
Notes receivable	59,018	82,252	125,298
	176,788	229,519	352,700
Provision for impairment of trade receivables	(2,208)	(3,214)	(4,722)
	174,580	226,305	347,978

The Group's trading terms with its customers are mainly on credit. The credit period is generally two months, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of each Relevant Period, based on the invoice date, is as follows:

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Within 1 month	49,047	54,768	130,269
1 to 3 months	61,056	80,103	74,943
4 to 6 months	5,126	9,089	12,599
Over 6 months to 1 year	325	80	5,983
1 to 2 years	76	1,091	3,070
Over 2 years	2,140	2,136	538
	117,770	147,267	227,402

The movements in provision for impairment of trade receivables are as follows:

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Balance at beginning of the year	2,542	2,208	3,214
Charge for the year	18	1,270	—
Reversal	(352)	(49)	(180)
Write-off	—	(215)	(2,084)
Acquisition of subsidiaries	—	—	3,772
Balance at end of the year	2,208	3,214	4,722

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default interest or principal payment or both and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	110,095	134,871	204,772
Less than 3 months past due	5,126	9,089	12,300
Over 3 months past due	341	93	5,608
	115,562	144,053	222,680

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The Directors of the Group are of the opinion that no provision for impairment is necessary. Certain of the Group's notes receivable with an aggregate value of approximately RMB64,683,000 as at 31 December 2014 have been pledged as security for the Group's interest-bearing bank borrowings (note 33).

28. PREPAID EXPENSES AND OTHER RECEIVABLES

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Prepaid expenses and other receivables:			
Interest receivables	13,112	8,949	3
Prepayments	3,898	4,347	7,619
Prepaid land lease payments — current portion	550	780	2,295
Other deposits and other receivables	12,112	11,978	20,033
	29,672	26,054	29,950
Provision for impairment of other receivables	—	(5,692)	(5,692)
	29,672	20,362	24,258

The movements in provision for impairment of other receivables are as follows:

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Balance at beginning of the year	—	—	5,692
Charge for the year	—	5,692	—
Balance at end of the year	—	5,692	5,692

The individually impaired other receivables relate to balances due from a party that were not expected to be recovered due to changes in business developments.

Company

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Prepaid expenses and other receivables:			
Other deposits and other receivables	860	211	2

As at 31 December 2012, 2013 and 2014, none of deposits and other receivables was interest-bearing.

None of deposits and other receivables is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Cash and bank balances	159,550	267,532	105,961
Restricted cash	668	670	1,651
Time deposits	443,183	346,940	254,558
	603,401	615,142	362,170
Less:			
Pledged deposits for letters of credit	(735)	(1,081)	(1,454)
Pledged deposits for bills payable	—	—	(900)
Pledged deposits for short term loans (note 33) -	—	(100,000)	(252,204)
Non-current deposits	(30,000)	—	—
Non-pledged time deposits with original maturity over three months when acquired	(412,448)	(245,859)	—
Cash and cash equivalents	160,218	268,202	107,612

Company

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Cash and bank balances	1,719	772	3,788
Time deposits	19,010	9,872	—
	20,729	10,644	3,788
Less:			
Non-pledged time deposits with original maturity over three months when acquired	(19,010)	(9,872)	—
Cash and cash equivalents	1,719	772	3,788

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

The Group's cash and bank balances as at 31 December 2012, 2013 and 2014 are denominated in the following currencies:

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Denominated in:			
- RMB	461,792	557,582	334,787
- United States Dollar ("USD")	132,988	56,598	26,505
- Hong Kong Dollar ("HKD")	1,878	962	830
- Australia Dollar ("AUD")	6,743	—	—
- EURO	—	—	48
	603,401	615,142	362,170

Company

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Denominated in:			
- USD	8,098	10,644	3,788
- HKD	11	—	—
- RMB	12,620	—	—
	20,729	10,644	3,788

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of each Relevant Period. Pledged deposits of approximately RMB735,000, RMB101,081,000 and RMB254,558,000 have been pledged to secure letters of credit, bills payable and short term bank borrowings as at 31 December 2012, 2013 and 2014, respectively.

30. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of each Relevant Period is as follows:

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Within 3 months	3,738	6,859	22,152
3 to 6 months	20	122	3,401
Over 6 months	7	53	85
	3,765	7,034	25,638

The trade payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

31. OTHER PAYABLES AND ACCRUALS

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Accrued selling and marketing expenses	26,451	28,056	51,363
Accrued salaries, bonuses and welfare expenses	13,193	14,847	30,045
Payable to vendors of plant, property and equipment	4,442	14,843	11,768
Payable to vendors of technology know-how	6,000	6,000	—
Taxes payable (other than income tax)	8,190	3,914	18,837
Receipts in advance from customers	1,114	3,091	3,590
Payable to advisors in privatisation transactions	6,230	—	—
Payable to vendors in acquisitions	—	—	377,181
Accrued listing expenses	—	—	13,610
Payable to advisors for acquisition transactions	—	—	3,578
Others	9,717	5,871	15,794
	75,337	76,622	525,766
Other liabilities — non-current	—	11,523	20,251
	75,337	88,145	546,017

Company

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Other payables	433	447	449
Other liabilities — non-current	—	11,523	13,651
	433	11,970	14,100

Other payables are non-interest-bearing.

32. DEFERRED INCOME

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
At beginning of the year	2,403	14,585	22,440
Received during the year			
- Government grants (a)	8,672	9,836	—
- Consultation service (b)	4,822	—	—
Acquisition of subsidiaries (note 37)	—	—	7,154
Disposal of a subsidiary (note 38)	—	—	(8,672)
Less: Recognition during the year			
- Government grants (a)	(374)	(374)	(581)
- Consultation service (b)	(938)	(1,607)	(1,607)
	14,585	22,440	18,734
Less: Deferred income - current portion			
- Government grants	(374)	(374)	(976)
- Consultation service	(1,607)	(1,607)	(670)
	12,604	20,459	17,088

Notes:

(a) The grants are related to the subsidies received from the government for the purpose of compensation for expenses arising from research and the improvement of manufacturing facilities on certain special projects. Upon completion of the related projects and the final assessment of the relevant government authorities, the grants related to the expense items would be recognised as other income directly in the consolidated statement of profit or loss when such expenses items had been incurred by the Group and the grants related to an asset would be released to the consolidated statement of profit or loss over the expected useful life of the relevant asset.

(b) In August 2012, the Group received consultation service fee of approximately RMB4,822,700 from DaVita China Pte. Ltd. ("DaVita China") for consultation services to be provided by the Group over the period of three years. The consultation service income is recognised on a straight-line basis over three years.

33. INTEREST-BEARING BANK BORROWINGS

The Group had no interest-bearing bank borrowings as at 31 December 2012 and 2013.

Group

	31 December 2014	
	Maturity	**RMB'000**
Current		
Short term bank borrowings, secured	2015	617,429

Notes:

(a) The short term bank borrowings bear interests at fixed interest rates varied from 2.2% to 7.8% per annum and are secured by pledged deposits (note 29), notes receivable (note 27), prepaid land lease payments (note 16), property, plant and equipment (note 15) and available-for-sale investments (note 23) of the Group.

(b) In addition to being secured by property, plant and equipment, a short term bank borrowings of RMB10,000,000 was guaranteed by a former director of Sciprogen (note 43).

(c) The carrying amounts of the short term bank borrowings approximate to their fair values.

34. SHARE CAPITAL

	Number of shares	**US$'000**	**Equivalent to RMB'000**
Authorised			
Ordinary shares of US$0.0001 each at 31 December 2012	500,000,000	50	387
Ordinary shares of US$1 each at 31 December 2013 and 31 December 2014.....	50,000	50	387

	Number of shares	US$'000	Equivalent to RMB'000
Issued and fully paid			
Ordinary shares of US$0.0001 each at 1 January 2012	154,473,159	15	124
Shares issued pursuant to share option scheme (note 35)	1,161,857	—	1
Ordinary shares of US$0.0001 each at 31 December 2012	155,635,016	15	125
Shares issued pursuant to share option scheme (note 35)	9,513,602	1	6
Cancellation upon privatisation	(165,148,618)	(16)	(131)
Issued ordinary share of US$1 (a)	1	—	—
Ordinary shares of US$1 each at 31 December 2013 and 31 December 2014 (a)	1	—	—

Note:

(a) The value issued and fully paid of the ordinary share is US$1. The value is rounded to nil to the nearest thousand.

35. SHARE INCENTIVE SCHEME

The Company operates a share incentive scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive Directors, including independent non-executive Directors, other employees and consultants of the Group.

On 5 September 2006, the Company adopted the 2006 share incentive plan (the "2006 Plan") pursuant to which the shares, share options, RSs and RSUs of the Company can be granted to Directors and employees upon the approval by the board of Directors or the compensation committee of the board of Directors. Under the 2006 Plan, the Company is authorised to issue up to 10,000,000 shares plus the number of shares equal to 10% of any additional shares of the Company in issue at the time of the adoption of the 2006 Plan by the board of Directors. The 2006 Plan will remain in effect for ten years from the date of adoption, unless otherwise extended. The term of each option granted under the 2006 Plan may not exceed five years from the date of grant.

On 31 March 2010, the Company adopted the 2010 share incentive plan (the "2010 Plan") which provided for the grant of share options, share appreciation rights, dividend equivalent rights, shares, RSs and RSUs of the Company to employees, Directors and consultants. Under the 2010 Plan, the Company is authorised to issue up to 22,500,000 ordinary shares, subject to possible adjustments. The 2010 Plan is administered by the board of Directors or the compensation committee of the board of

Directors. With respect to the grant of awards to employees or consultants who are neither Directors nor officers, the board of Directors may authorise one or more officers to grant such awards. The 2010 Plan became effective in April 2010. It will continue to be in effect for a term of ten years unless terminated sooner.

The maximum number of shares issuable under the Scheme to each eligible participant in the Scheme within any 12-month period is limited to 1% of the total shares of the Company in issue at any time. Any further grant in excess of these limits is subject to shareholders' approval in a general meeting.

The terms and conditions of each grant, including, but not limited to, the number of shares, the exercise price, term of the option/award and vesting requirements, are determined by the board of Directors or the compensation committee of board of Directors on grant date. The board of Directors will establish the vesting schedule and the method of payment for the exercise price of each grant on grant date as well, if applicable. The term of each option to be granted under the Scheme may not exceed ten years which commences after a vesting period of six months to one year and ends on a date which is not later than ten years from the date of grant or the expiry date of the Scheme, if earlier.

Share options, RSs and RSUs do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options, RSs and RSUs were granted by the Company since its privatisation and delisting from NASDAQ.

Share Options

There were no share options granted during the Relevant Periods.

The exercise prices and exercise periods of the share options outstanding during the Relevant Periods were as follows:

Date of grant	Exercisable period (both dates inclusive)	Exercise price per share option	Weighted average fair value per share option
	(note a)	(US$) (note b)	(US$)
20 March 2009.....	1 April 2010 to 1 April 2014	0.78	0.41

(a) All outstanding options had been either vested and exercised or cancelled upon the Company's privatisation on 29 May 2013.

(b) The exercise price per above share option was NASDAQ closing price of the Company's shares on the date of grant of the share options. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The following share options were outstanding under the Scheme during the Relevant Periods:

For the year ended	As at 1 January	Exercised during the year	Forfeited during the year	Expired during the year	Cancelled upon privatisation	As at end of year	Exercisable at end of year
31 December 2012...	1,041,804	99,008	3,963	—	—	938,833	938,833
31 December 2013...	938,833	440,755	—	—	498,078	—	—
31 December 2014...	—	—	—	—	—	—	—

The Group recognised share option expenses of approximately RMB144,000, nil and nil for the years ended 31 December 2012, 2013 and 2014, respectively.

99,008, 440,755, and nil share options were exercised in the years ended 31 December 2012, 2013 and 2014, respectively, which resulted in the issue of 99,008, 440,755 and nil ordinary shares of the Company, with the additions in share capital of RMB62, RMB273 and nil and share premium of approximately RMB766,000, RMB3,264,000 and nil for the years ended 31 December 2012, 2013 and 2014, respectively.

The fair value of equity-settled share options granted by the Company was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the share options were granted.

The historical volatility of the Company's shares and the volatility of a combination of peer companies of similar nature and size were used to estimate the expected volatility of the Company's shares. The risk-free rate for periods within the expected term of the options is based on the U.S. government bond in effect at the time of grant. Expected dividend yields are based on historical dividends. The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur.

In addition, the Company applied an expected forfeiture rate in determining the grant date fair value of the share options granted. The estimation of the forfeiture rate was based primarily upon historical experience of employee turnover. To the extent the Company revises this estimate in the future, compensation cost could be materially impacted.

RSs and RSUs

Each of RS and RSU represents seven ordinary shares of the Company.

The fair value of RSs and RSUs was calculated based on the NASDAQ closing price of the Company's share on the date of grant of the RSs and RSUs. No dividend was considered.

The particulars of the RSs and RSUs during the Relevant Periods were as follows:

Date of grant	Vesting schedule	Number of shares granted	Weighted average fair value per RS
8 January 2009	8 July 2009 to 8 January 2012 (note a)	216,468	US$0.94
9 November 2009.....	9 November 2010 to 9 November 2013 (note b)	3,797,500	US$1.55
8 April 2010	8 October 2010 to 8 April 2014 (note c)	2,626,946	US$1.57
11 March 2011.....	10 September 2011 to 10 March 2015 (note c)	2,343,110	US$2.20
5 January 2012	5 July 2012 to 5 January 2019 (note d)	2,450,000	US$1.45
11 May 2012.....	11 May 2019 (note e)	1,820,000	US$1.85

(a) The RSs will vest in four batches with 18% of the RSs vesting in six months after the grant date, and the remaining 38%, 22% and 22% vesting on the first, second, and third anniversaries of the first vesting date, respectively.

(b) The RSUs will vest in four equal batches with 25% of the RSUs vesting on the first, second, third and fourth anniversaries of the date of grant.

(c) The RSs will vest in three batches with 1% of the RSs granted vesting in six months after the grant date, and 1% and 98% vesting on the first and fourth anniversaries of the date of grant.

(d) The RSs will vest in six batches with 1% of the RSs granted vesting in six months after the grant date, and 4%, 2%, 2%, 2% and 89% vesting on the first, second, third, fourth and seventh anniversaries of the date of grant.

(e) The RSs will vest on the seventh anniversary of the grant date.

The following RSs and RSUs (all presented in the number of ordinary shares of the Company they represent) were outstanding under the Scheme during the Relevant Periods:

For the year ended	As at 1 January	Awarded during the year	Vested during the year	Cancelled upon privatisation	As at end of year
31 December 2012.....	6,815,071	4,270,000	1,062,849	—	10,022,222
31 December 2013.....	10,022,222	—	9,072,847	949,375	—
31 December 2014.....	—	—	—	—	—

All unvested RSs and RSUs as at 29 May 2013 were vested or cancelled immediately when the Company was privatised and delisted from NASDAQ, for which an aggregated share based expense of approximately RMB62,043,000 was recognised during the year ended 31 December 2013.

The Group recognised share-based expenses of RSs and RSUs of approximately RMB22,700,000, RMB69,506,000 and nil for the years ended 31 December 2012, 2013 and 2014, respectively.

1,062,849, 9,072,847 and nil RSs and RSUs were vested during the years ended 31 December 2012, 2013 and 2014, respectively, which resulted in the issuance of 1,062,849, 9,072,847 and nil ordinary shares of the Company and increase in share premium of RMB671, RMB5,619 and nil and share premium of approximately RMB11,142,000, RMB77,194,000 and nil for the years ended 31 December 2012, 2013 and 2014, respectively.

RSUs granted by Century Sunshine

On 31 August 2013 and 31 August 2014, Century Sunshine granted 1,228,884 and 1,228,885 RSUs ("Century RSUs"), respectively, to certain senior management members of the Company to reward their contributions to the Group. Each RSU represents one ordinary share in Century Sunshine. The Century RSUs were cliff vested on 31 March 2014 and 30 September 2014, respectively.

The particulars of the Century RSUs were as follows:

For the year ended	As at 1 January	Awarded during the year	Vested during the year	As at end of year
31 December 2013	—	1,228,884	—	1,228,884
31 December 2014	1,228,884	1,228,885	2,457,769	—

The fair value of the Century RSUs was estimated as at the date of grant by an external valuer using a discounted cash flow method, taking into account their terms and conditions.

The Group recognised the shared based expenses in respect of the Century RSUs of approximately RMB25,701,000 and RMB104,683,000 for the years ended 31 December 2013 and 2014, respectively.

36. RESERVES

Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity.

Statutory reserves

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 1 to the Financial Information are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations and their respective articles of association, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the dividend distribution to shareholders.

Company

	Exchange fluctuation reserves	Retained profits	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2012	(205,179)	2,950	(202,229)
Total comprehensive loss for the year	—	(24,051)	(24,051)
Exchange differences on translation of foreign operations	(1,758)	—	(1,758)
At 31 December 2012	(206,937)	(21,101)	(228,038)
Total comprehensive loss for the year	—	(36,906)	(36,906)
Exchange differences on translation of foreign operations	(15,063)	—	(15,063)
At 31 December 2013	(222,000)	(58,007)	(280,007)
Total comprehensive income for the year	—	556,088	556,088
Exchange differences on translation of foreign operations	1,735	—	1,735
Dividend declared	—	(300,000)	(300,000)
At 31 December 2014	(220,265)	198,081	(22,184)

37. BUSINESS COMBINATION

Yingkou Renal Clinical Centre ("Yingkou Centre")

On 7 March 2012, the Group acquired a 100% interest in Yingkou Centre from an independent third party. Yingkou Centre is engaged in providing dialysis services. The purchase consideration for the acquisition was in the form of cash amounting to RMB3,690,000, out of which RMB1,650,000 was prepaid in the year ended 31 December 2011 and the remaining of RMB2,040,000 was paid in the year ended 31 December 2012.

The fair values of the identifiable assets and liabilities of Yingkou Centre as at the date of acquisition were as follows:

	2012
	Fair value recognised on acquisition
	RMB'000
Property, plant and equipment	1,856
Other intangible assets	362
Inventories	145
Trade and notes receivables	227
Prepaid expenses and other receivables	12
Cash and bank balances	89
Other payables and accruals	(712)
Total identifiable net assets at fair value	1,979
Goodwill on acquisition	1,711
Satisfied by cash	3,690

An analysis of the cash flows in respect of the acquisition of Yingkou Centre is as follows:

	For the year ended 31 December 2012
	RMB'000
Cash consideration paid	2,040
Less: Cash and bank balances of the subsidiary acquired	(89)
Net outflow of cash and cash equivalents included in cash flows from investing activities	1,951

On 1 August 2012, the Group disposed of Yingkou Centre to DaVita JV (note 38).

Since the acquisition, the contributions of Yingkou Centre to the Group's consolidated revenue and the consolidated profit for the year ended 31 December 2012 are immaterial.

Had the acquisition taken place at the beginning of Relevant Periods, due to the limited scale of operation of Yingkou Centre, the revenue and the profit of the Group would not be materially impacted.

Changchun Guohui Centre ("Changchun Centre")

On 31 March 2012, the Group acquired a 100% interest in Changchun Centre from an independent third party. Changchun Centre is engaged in providing medical services. The purchase consideration for the acquisition was in the form of cash amounting to RMB2,000,000, out of which RMB1,000,000 was prepaid in the year ended 31 December 2011 and the remaining of RMB1,000,000 was paid in the year ended 31 December 2012.

The fair values of the identifiable assets and liabilities of Changchun Centre as at the date of acquisition were as follows:

	2012
	Fair value recognised on acquisition
	RMB'000
Property, plant and equipment	440
Other intangible assets	582
Other current assets	978
Total identifiable net assets at fair value	2,000
Satisfied by cash	2,000

An analysis of the cash flows in respect of the acquisition of Changchun Centre is as follows:

	For the year ended 31 December 2012
	RMB'000
Cash consideration paid	1,000
Less: Cash and bank balances of the subsidiary acquired	—
Net outflow of cash and cash equivalents included in cash flows from investing activities	1,000

On 1 August 2012, the Group disposed of Changchun Centre to DaVita JV (note 38).

Since the acquisition, the contributions of Changchun Centre to the Group's consolidated revenue and the consolidated profit for the year ended 31 December 2012 are immaterial.

Had the acquisition taken place at the beginning of the year ended 31 December 2012, due to the limited scale of operation of Changchun Centre, the revenue and the profit of the Group would not be materially impacted.

Sciprogen

On 31 December 2014, the Group acquired a 100% equity interest in Ample Harvest which held 90.57% of the equity interest in Sciprogen from an independent third party and a 100% interest in Shenzhen Baishitong which held 9.43% of the equity interest in Sciprogen from independent third parties. Upon the completion of these two transactions, the Group acquired the entire equity interest in Sciprogen. Ample Harvest and Shenzhen Baishitong are investment holding companies with no substantive operations. Sciprogen is primarily engaged in the production and sale of pharmaceutical products. The purchase consideration for the acquisition of Ample Harvest was in the form of cash amounting to approximately US$76,716,000, out of which US$36,000,000 was paid on 31 December 2014, the acquisition date, and the remaining consideration of approximately US$40,716,000 was deferred to be settled in 2015 pursuant to the acquisition agreements. The purchase consideration for the acquisition of Shenzhen Baishitong was in the form of cash amounting to approximately RMB34,390,000, out of which approximately RMB13,338,000 was paid on 31 December 2014 and the remaining consideration of approximately RMB21,052,000 was deferred to be settled in 2015 pursuant to the acquisition agreements. In addition, in accordance with the acquisition agreements, the Group agreed to pay approximately US$5,002,000 and RMB1,710,000 to the two vendors, respectively, in 2015 to assume the shareholders' loans which were originally lent by the vendors to Ample Harvest and Shenzhen Baishitong, respectively.

In addition, the Group entered into a non-compete and non-solicitation agreement with Mr. Guangyang Sheng, the Chief Executive Officer of Sciporgen and a close family member of the former shareholders of Shenzhen Baishitong, pursuant to which Mr. Sheng agreed to cooperate with the Group in certain post-completion matters and agreed to not undertake any activities that may be in competition with the Group for a period of five years after the cessation of his employment relationship with Sciprogen for cash consideration of RMB13,600,000. The agreement became effective from 31 December 2014.

The fair values of the identifiable assets and liabilities of the consolidated financial statements of Ample Harvest, Shenzhen Baishitong and Sciprogen as at the date of acquisition were as follows:

	2014
	Fair value recognised on acquisition
	RMB'000
Property, plant and equipment	85,556
Prepaid land lease payments	71,290
Other intangible assets	358,102
Other non-current assets	352
Deferred tax assets	3,554
Inventories	35,810
Trade and notes receivables	47,122
Prepaid expenses and other receivables	5,302
Due from related parties	3,265
Available-for-sale investments	2,296
Cash and cash equivalents	5,687
Pledged deposits	1,656
Trade and bills payables	(10,092)
Other payables and accruals	(64,253)
Interest-bearing bank borrowings	(28,000)
Tax payable	(3,646)
Deferred income	(7,154)
Deferred tax liabilities	(63,314)
Total identifiable net assets at fair value	443,533
Goodwill on acquisition (note 17)	73,882
Satisfied by cash	517,415

An analysis of the cash flows in respect of the acquisition of Ample Harvest and Shenzhen Baishitong is as follows:

	For the year ended 31 December 2014
	RMB'000
Cash consideration paid	233,622
Less: Cash and cash equivalents of the subsidiaries acquired	(5,687)
Net outflow of cash and cash equivalents included in cash flows from investing activities	227,935

Since the acquisition, the consolidated contributions of Ample Harvest and Shenzhen Baishitong to the Group's consolidated revenue and the consolidated profit for the year ended 31 December 2014 were nil.

Had the acquisition taken place at the beginning of the year, the revenue and the profit of the Group would have been approximately RMB1,249,078,000 and RMB311,440,000, respectively.

Sirton

On 31 December 2014, the Group acquired a 100% equity interest in Excel Partner which held 100% of the equity interest in Sirton from an independent third party. Excel Partner is an investment holding company with no substantive operations. Sirton is an Italian contract-based pharmaceutical manufacturer. The purchase consideration for the acquisition of Excel Partner was in the form of cash amounting to approximately US$25,250,000, out of which US$24,500,000 was paid on 31 December 2014 and the remaining consideration of approximately US$750,000 was deferred to be settled in 2015 pursuant to the acquisition agreements. In addition, in accordance with the acquisition agreements, the Group agreed to pay approximately US$9,737,000 to the vendor in 2015 to assume the shareholder's loans which were originally lent by the vendor to Excel Partner.

The fair values of the identifiable assets and liabilities of the consolidated financial statements of Excel Partner and Sirton as at the date of acquisition were as follows:

	2014
	Fair value recognised on acquisition
	RMB'000
Property, plant and equipment	55,408
Other intangible assets	7,557
Investments in a joint venture	103
Long-term receivables	324
Deferred tax assets	2,280
Inventories	4,325
Trade and notes receivables	14,461
Prepaid expenses and other receivables	1,100
Due from a related party	329
Available-for-sale investments	298
Cash and cash equivalents	46
Trade payables	(7,609)
Other payables and accruals	(66,455)
Tax payable	(754)
Deferred tax liabilities	(6,631)
Other liabilities	(6,600)
Total identifiable net liabilities at fair value	(1,818)
Goodwill on acquisition (note 17)	156,715
Satisfied by cash	154,897

An analysis of the cash flows in respect of the acquisition of Excel Partner is as follows:

	2014
	RMB'000
Cash consideration paid	150,295
Less: Cash and cash equivalents of the subsidiary acquired	(46)
Net outflow of cash and cash equivalents included in cash flows from investing activities	150,249

Since the acquisition, the consolidated contributions of Excel Partner to the Group's consolidated revenue and the consolidated profit for the year ended 31 December 2014 were nil.

Had the acquisition taken place at the beginning of the year, the revenue and the profit of the Group would have been approximately RMB1,191,631,000 and RMB286,415,000, respectively.

38. DISPOSAL OF SUBSIDIARIES

On 1 August 2012, DaVita JV and four subsidiaries of the Group, namely Benxi Renal Special Clinical Centre ("Benxi Centre"), Yingkou Centre, Anshan Renal Special Clinical Centre ("Anshan Centre") and Changchun Centre (collectively the "Clinical Centres") signed Management Services Agreements (the "MSAs"). Pursuant to the MSAs, the Clinical Centres appoint and authorise DaVita JV as their exclusive provider of administrative, management and other relevant services, pursuant to which DaVita JV assumes full control of and bears the economic benefits and risks of the Clinic Centres. Accordingly, the Group had lost control and disposed of the Clinic Centres. In the meantime, the majority shareholder of DaVita JV, DaVita China, agreed to pay US$910,000 to the Group as its partial share of the operating expenses of the Clinic Centres which was deemed to be received by the Group at the disposal of the Clinic Centres. After the disposal, the Group indirectly held 30% of the interests in the Clinic Centres through its 30% ownership in the DaVita JV.

Yingkou Centre

	2012
	RMB'000
Net assets disposed of:	
Property, plant and equipment	1,838
Inventories	302
Other intangible assets	338
Cash and bank balances	765
Trade receivables	248
Goodwill	1,711
Other payables and accruals	(30)
	5,172
70% of the net assets disposed of	3,621
Loss on disposal	(925)
Satisfied by other receivables	2,696

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of Yingkou Centre is as follows:

	2012
	RMB'000
Cash consideration	—
Less: Cash and bank balances of the subsidiary disposed of	(765)
Net outflow of cash and cash equivalents in respect of the disposal	(765)

Changchun Centre

	2012
	RMB'000
Net assets disposed of:	
Property, plant and equipment	375
Other intangible assets	521
Prepayments and other receivables	1,138
	2,034
70% of the net assets disposed of	1,424
Loss on disposal	(364)
Satisfied by other receivables	1,060

The cash consideration, cash and bank balances disposed of and net cash flow in respect of the disposal of Changchun Centre are nil.

Anshan Centre

	2012
	RMB'000
Net assets disposed of:	
Prepayments and other receivables	353
	353
70% of the net assets disposed of	247
Loss on disposal	(63)
Satisfied by other receivables	184

The cash consideration, cash and bank balances disposed of and net cash flow in respect of the disposal of Anshan Centre are nil.

Benxi Centre

	2012
	RMB'000
Net assets disposed of:	
Property, plant and equipment	1,881
Inventories	37
Other intangible assets	26
Cash and bank balances	6
Prepayments and other receivables	1,287
Other current assets	196
Trade payables	(69)
	3,364
70% of the disposed net assets	2,355
Loss on disposal	(603)
Satisfied by other receivables	1,752

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of Benxi Centre is as follows:

	2012
	RMB'000
Cash consideration	—
Cash and bank balances disposed of	(6)
Net outflow of cash and cash equivalents in respect of the disposal	(6)

Jiangsu Sunshine Pharmaceutical Technology Company Co., Ltd. ("Jiangsu Sunshine")

On 12 November 2014, the Group entered into a sale and purchase agreement to dispose of its entire equity interest in Jiangsu Sunshine to an entity beneficially owned by certain members of middle management personnel of the Group at total consideration of approximately RMB32,225,000.

	2014
	RMB'000
Net assets disposed of:	
Property, plant and equipment	847
Prepaid land lease payments	9,237
Cash and bank balances	20,474
Prepayments and other receivables	542
Other payables and accruals	(114)
Deferred income	(8,672)
	22,314
Gain on disposal	9,911
Satisfied by other receivables	32,225

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of Jiangsu Sunshine is as follows:

	2014
	RMB'000
Cash consideration received	—
Less: Cash and bank balances of the subsidiary disposed of	(20,474)
Net outflow of cash and cash equivalents in respect of the disposal	(20,474)

39. CONTINGENT LIABILITIES

As at 31 December 2012, 2013 and 2014, neither the Group nor the Company had any significant contingent liabilities.

40. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank borrowings which are secured by the assets of the Group, are included in note 33 to the Financial Information.

41. OPERATING LEASE ARRANGEMENTS

Operating lease commitment - As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At the end of each Relevant Period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Within one year	684	435	471
In the second to fifth years, inclusive	73	119	32
	757	554	503

42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41 above, the Group had the following capital commitments at the end of each Relevant Period:

Group

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Plant and machinery	11,792	21,805	24,109
Capital contribution with respect to an associate	22,251	16,645	15,141
	34,043	38,450	39,250

43. RELATED PARTY TRANSACTIONS

Details of the Group's principal related parties are as follows:

Company	Relationship
Decade Sunshine	Immediate holding company
Injenerics	Joint venture
DaVita JV	Associate
Clinical Centres	Subsidiary of an associate
Ascentage Shanghai	Associate
Ascentage Pharma	Associate
Ascentage Jiangsu Pharmaceutical Co., Ltd. ("Ascentage Jiangsu")	Subsidiary of an associate
Beijing Huansheng Medical Investment Co., Ltd. ("Beijing Huansheng")	Significant influence by a director of the Company and owned by certain middle management personnel of the Group
Jiangsu Sunshine	Subsidiary of Beijing Huansheng

(a) The Group had the following transactions with related parties during the Relevant Periods:

Group

		Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014
		RMB'000	RMB'000	RMB'000
Service fee paid to associates	(i)	6,000	5,250	750
Sales of products to an associate		621	243	443
Loss arising from disposal of subsidiaries to an associate (note 38)		1,955	—	—
Loans to an associate	(ii)	1,263	10,510	5,651
Purchase of a residential apartment from a senior management member	(iii)	—	390	—
Financial guarantee provided by a Director of the Company	(iv)	—	—	300,000
Financial guarantee to the immediate holding company	(v)	—	609,690	—
Financial guarantee to the ultimate holding company	(vi)	—	100,000	—
Proceeds from disposal of Jiangsu Sunshine to a related party	(vii)	—	—	32,225
Financial guarantee provided by a Director of Sciprogen in respect of a bank borrowing	(viii)	—	—	10,000

Notes:

(i) The Group retained Ascentage Shanghai and Ascentage Jiangsu to perform certain ongoing research and product development. The Group recognised research and development expenses of RMB6,000,000, RMB5,250,000 and RMB750,000 for the years ended 31 December 2012, 2013 and 2014, respectively, according to the progress achieved.

(ii) The Group extended loans to DaVita JV to support the operations of DaVita JV. The loans are unsecured, of which approximately RMB4,968,000 bear interest at an annual interest rate of 6.15% and with a fixed maturity period of two years, and the remaining balances bear interest at annual interest rates ranging from 5.6% to 6.0% and will mature in January 2017.

(iii) The Group purchased a residential apartment from a senior management member as staff dormitory. The purchase price of RMB390,000 approximated to the market price of the residential apartment.

(iv) A Director of the Company provided a personal guarantee in favour of the bank in connection with the RMB300,000,000 interest-bearing bank borrowing by subsidiaries of the Company, and the personal guarantee was released by the bank in November 2014 (note 33).

(v) A bank borrowing of US$100,000,000 made to Decade Sunshine was secured by share capital of certain subsidiaries of the Company as at 31 December 2013. The relevant bank borrowing was repaid in two batches by Decade Sunshine in November 2013 and March 2014, respectively, and the pledge was released by the bank in May 2014.

(vi) A bank borrowing of US$15,000,000 made to Century Sunshine was secured by a pledged deposit of Shenyang Sunshine of RMB100,000,000 as at 31 December 2013. The relevant bank borrowing was repaid by Century Sunshine in May 2014 and the pledge was released by the bank accordingly.

(vii) On 12 November 2014, the Group entered into a sale and purchase agreement to dispose of its entire interest in Jiangsu Sunshine to an entity owned by certain management personnel of the Company at total consideration of approximately RMB32,225,000.

(viii) A former director of the Sciprogen provided a personal guarantee in favour of the bank in connection with the RMB10,000,000 interest-bearing bank borrowing by Sciprogen as at 31 December 2014 (note 33).

(b) Outstanding balances with related parties:

The Group had the following significant balances with its related parties during the Relevant Periods:

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Due from related parties			
Group			
Current portion			
Jiangsu Sunshine	—	—	8,081
Beijing Huansheng	—	—	32,225
Injenerics	—	—	329
Directors and senior management (i)	—	—	11,133
	—	—	51,768
Non-current portion			
DaVita JV	1,263	11,773	17,424

(i) The balance represents the Individual Income Tax ("IIT") on the grantees in connection with the Century RSUs granted on 31 August 2013 and 31 August 2014 (note 35) which is paid by the Company on behalf of the grantees in accordance with tax regulations in Mainland China. The balance is unsecured, interest-free and has no fixed terms of repayment.

	31 December 2012	31 December 2013	31 December 2014
	RMB'000	RMB'000	RMB'000
Due to related parties			
Group			
Century Sunshine	—	—	77,711
Ascentage Jiangsu	—	2,250	—
	—	2,250	77,711

None of the amounts due from related parties is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. The carrying amounts of the balances with related parties approximate to their fair values.

(c) Compensation of key management personnel of the Group:

Key management compensation is detailed in notes 8 and 9 to the Financial Information.

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each Relevant Period were as follows:

Group

31 December 2012

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Long-term receivables	2,355	—	2,355
Available-for-sale investments — non-current	—	11,332	11,332
Non-current deposits	30,000	—	30,000
Due from related parties — non-current	1,263	—	1,263
Financial assets included in other non-current assets	600	—	600
Trade and notes receivables	174,580	—	174,580
Financial assets included in prepaid expenses and other receivables	25,224	—	25,224
Available-for-sale investments — current	—	301,897	301,897
Cash and cash equivalents	160,218	—	160,218
Non-pledged time deposits with original maturity over three months when acquired	412,448	—	412,448
Pledged deposits	735	—	735
	807,423	313,229	1,120,652

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	3,765
Financial liabilities included in other payables and accruals	26,389
	30,154

31 December 2013

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Long-term receivables	1,228	—	1,228
Financial assets included in other non-current assets	600	—	600
Due from related parties — non-current	11,773	—	11,773
Trade and notes receivables	226,305	—	226,305
Financial assets included in prepaid expenses and other receivables	20,927	—	20,927
Available-for-sale investments — current	—	13,797	13,797
Cash and cash equivalents	268,202	—	268,202
Non-pledged time deposits with original maturity over three months when acquired	245,859	—	245,859
Pledged deposits	101,081	—	101,081
	875,975	13,797	889,772

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	7,034
Financial liabilities included in other payables and accruals	38,237
	45,271

31 December 2014

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Long-term receivables	349	—	349
Available-for-sale investments — non-current	—	231,182	231,182
Financial assets included in other non-current assets	600	—	600
Due from related parties — non-current	17,424	—	17,424
Trade and notes receivables	347,978	—	347,978
Financial assets included in prepaid expenses and other receivables	20,036	—	20,036
Due from related parties — current	51,768	—	51,768
Available-for-sale investments — current	—	56,052	56,052
Cash and cash equivalents	107,612	—	107,612
Pledged deposits	254,558	—	254,558
	800,325	287,234	1,087,559

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	25,638
Financial liabilities included in other payables and accruals	421,972
Interest-bearing bank borrowings	617,429
	1,065,039

Company

31 December 2012

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Available-for-sale investments — non-current	—	11,332	11,332
Available-for-sale investments — current	—	10,670	10,670
Due from subsidiaries	657,519	—	657,519
Cash and cash equivalents	1,719	—	1,719
Non-pledged time deposits with original maturity over three months when acquired	19,010	—	19,010
	678,248	22,002	700,250

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in other payables and accruals	433

31 December 2013

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Available-for-sale investments — current	—	13,797	13,797
Due from subsidiaries	188,742	—	188,742
Cash and cash equivalents	772	—	772
Non-pledged time deposits with original maturity over three months when acquired	9,872	—	9,872
	199,386	13,797	213,183

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in other payables and accruals	11,970

31 December 2014

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Available-for-sale investments — non-current	—	67,783	67,783
Available-for-sale investments — current	—	13,458	13,458
Due from subsidiaries	108,243	—	108,243
Cash and cash equivalents	3,788	—	3,788
	112,031	81,241	193,272

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in other payables and accruals	14,100

45. TRANSFERS OF FINANCIAL ASSETS

At the end of each Relevant Periods, the Group endorsed certain notes receivable (the "Derecognised Bills") accepted by major banks in Mainland China (the "PRC banks") to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of approximately RMB18,193,000, RMB7,247,000 and RMB11,880,000. The Derecognised Bills had a maturity of one to six months at the end of each Relevant Period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised 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 Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the

associated trade payables. The maximum exposure to loss from the Group's Continuing Involvements in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the Relevant Periods, the Group had not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the periods or cumulatively. The endorsements had been made evenly throughout the Relevant Periods.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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.

The following methods and assumptions were used to estimate the fair values:

Management has determined that the fair values of cash and cash equivalents, pledged deposits, non-pledged time deposits, trade and notes receivables, financial assets included in prepaid expenses and other receivables, amounts due from related parties, investments in bank financial products included in available-for-sale investments, trade and bills payables, financial liabilities included in other payables and accruals and amounts due to related parties, reasonably approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the long-term receivables and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of long-term receivables are reasonably approximate to their carrying amounts due to the insignificance. The fair values of interest-bearing bank borrowings are reasonably approximate to their carrying amounts due to the short term maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2012, 2013 and 2014 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

Assets measured at fair value:

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale investments:				
Equity investment	10,670	—	—	10,670
Corporate debt securities	11,332	—	—	11,332
	22,002	—	—	22,002

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale investment:				
Equity investment	13,797	—	—	13,797

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale investment:				
Equity investment	14,052	—	—	14,052

Assets for which fair values are disclosed:

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Long-term receivables	—	—	2,355	2,355

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Long-term receivables	—	—	1,228	1,228

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Long-term receivables	—	—	349	349

Group

Liabilities for which fair values are disclosed:

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings	—	—	617,429	617,429

Company

Assets measured at fair value:

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale investments:				
Equity investment	10,670	—	—	10,670
Corporate debt securities	11,332	—	—	11,332
	22,002	—	—	22,002

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale investment:				
Equity investment	13,797	—	—	13,797

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale investment:				
Equity investment	13,458	—	—	13,458

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, trade receivables and payables, other receivables and payables, balances with related parties and interest-bearing bank borrowings. 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 payables, which arise directly from its operations.

The Group did not enter into any derivative transactions.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of Directors and senior management meet periodically to analyse and formulate measures to manage the Group's exposure to these risks.

Interest rate risk

The Group is exposed to cash flow interest rate risk due to fluctuations in the prevailing market interest rates on cash and cash equivalents, non-pledged time deposits and pledged deposits. Management considers that these bank balances are not sensitive to fluctuations in interest rates.

The Group's interest rate risk relates primarily to fixed-rate bank borrowings. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. The Group's interest rate profile as monitored by management is set out in note 33 to the Financial Information.

Foreign currency risk

The Group's business is mainly located in Mainland China and most transactions are conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB, except for certain bank balances denominated in USD, HKD, AUD and EURO as disclosed in note 29 to the Financial Information.

The Group's assets and liabilities denominated in USD were mainly held by the Company and certain subsidiaries incorporated outside Mainland China which had USD as their functional currency, and the Group did not have material foreign currency transactions in Mainland China during the Relevant Periods.

Credit risk

As at 31 December 2012, 2013 and 2014, all pledged deposits, non-pledged time deposits and cash and cash equivalents were deposited in high quality financial institutions without significant 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 amounts due from related parties, deposits and other receivables, trade and notes receivables, and long-term receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different regions.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 27 to the Financial Information.

Liquidity risk

The Group monitors its risk to a shortage of funds based on the maturity of its financial assets and financial liabilities and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and issue of new debts or equity instruments. The Directors have reviewed the Group's profitability, working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

The maturity profile of the Group's financial liabilities at the end of each Relevant Period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2012

	Within 3 months	Total
	RMB'000	RMB'000
Financial liabilities:		
Trade and bills payables	3,765	3,765
Financial liabilities included in other payables and accruals	26,389	26,389
	30,154	30,154

As at 31 December 2013

	Within 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities:				
Trade and bills payables	7,034	—	—	7,034
Financial liabilities included in other payables and accruals	26,714	—	11,523	38,237
	33,748	—	11,523	45,271

As at 31 December 2014

	Within 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities:				
Trade and bills payables	22,061	3,577	—	25,638
Financial liabilities included in other payables and accruals	408,321	—	13,651	421,972
Interest-bearing bank borrowings	—	617,429	—	617,429
	430,382	621,006	13,651	1,065,039

The maturity profile of the Company's financial liabilities at the end of each Relevant Period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2012

	Within 3 months	Total
	RMB'000	RMB'000
Financial liabilities:		
Financial liabilities included in other payables and accruals	433	433

As at 31 December 2013

	Within 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities:				
Financial liabilities included in other payables and accruals	447	—	11,523	11,970

As at 31 December 2014

	Within 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities:				
Financial liabilities included in other payables and accruals	449	—	13,651	14,100

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale investments (note 23) as at the end of each Relevant Period. The Group's major listed investment during the Relevant Periods was listed on the Toronto Stock Exchange ("TSX") and was valued at quoted market prices at the end of each Relevant Period.

The market equity indices for the Toronto Stock Exchange, at the close of business of the nearest trading day in the Relevant Periods to the end of each Relevant Period, and their respective highest and lowest points during each of the Relevant Periods were as follows:

	31 December 2014	High/low 2014	31 December 2013	High/low 2013	31 December 2012	High/low 2012
Toronto Stock Exchange - TSX Composite Index	14,632	15,658/ 13,486	13,622	13,622/ 11,837	12,434	12,741/ 11,281
Toronto Stock Exchange - TSX Venture Composite Index	696	1,046/ 642	932	1,242/ 860	*	*

* The Group did not hold investment listed on that exchange during 2012.

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of each Relevant Period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the consolidated statement of profit or loss.

	Carrying amount of equity investments	Increase/ (decrease) in equity*
	RMB'000	RMB'000
2012		
Investment listed in:		
Toronto — Available-for-sale	10,670	1,067/(1,067)
2013		
Investment listed in:		
Toronto — Available-for-sale	13,797	1,380/(1,380)
2014		
Investment listed in:		
Toronto — Available-for-sale	13,458	1,346/(1,346)

* Excluding retained profits

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 issue new shares or debt instruments. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is interest-bearing bank borrowings divided by the total equity.

As at 31 December 2012 and 2013, the Group had no interest-bearing bank borrowings and thus no gearing ratio was calculated. The gearing ratio as at 31 December 2014 was as follows:

Group

	31 December 2014
	RMB'000
Interest-bearing bank borrowings	617,429
Total equity	943,592
Gearing ratio	65.4%

48. EVENTS AFTER THE REPORTING PERIOD

On 1 January 2015, the Company issued warrants to Shanghai Junling Investment Partnership (Limited Partnership) which is beneficially owned by certain management members of CP Guojian ("CP Guojian Warrants"). The CP Guojian Warrants entitle the holders to purchase 1,128.82033 ordinary shares of the Company at an exercise price of US$1.00 for each warrant. The CP Guojian Warrants will vest and become exercisable by the holders upon meeting certain vest and exercise conditions.

Pursuant to the subdivision of the par value of the Company's authorised shares from US$1.00 per share to US$0.00001 per share on 4 February 2015, the number of exercisable shares has been changed to 112,882,033 ordinary shares of the Company under the CP Guojian Warrants.

Pursuant to board resolution on 4 February 2015, the Company subdivided the par value of its authorised shares from US$1.00 per share to US$0.00001 per share. After the subdivision, the Company have an authorised share capital of US$50,000 divided into 5,000,000,000 authorised shares at a par value of US$0.00001 per share, and an issued share capital of US$1.00 divided into 100,000 shares at a par value of US$0.00001 per share held by Decade Sunshine.

Pursuant to board resolution on 4 February 2015, the Company increased its authorised share capital from US$50,000 divided into 5,000,000,000 authorised shares at a par value of US$0.00001 per share to US$500,000 divided into 50,000,000,000 authorised shares at a par value of US$0.00001 per share by creating additional 45,000,000,000 shares at a par value of US$0.00001 per share.

On 6 January 2015, the Group obtained an interest-bearing bank borrowing of RMB10,000,000 with the maturity date on 6 January 2016. The annual interest rate for the bank borrowing is the loan prime rate ("LPR") in China less 1.21%. The bank borrowings were secured by property, plant and equipment.

On 13 January 2015, the Group obtained an interest-bearing bank borrowing of US$16,000,000 with the maturity date on 12 July 2015. The bank borrowing bears interest at an annual interest rate of LIBOR plus 2.33% and is secured by pledged deposits and notes receivables.

On 5 February 2015, the Group obtained an interest-bearing bank borrowing of US$40,000,000 with maturity date on 4 August 2015. The bank borrowing bears interest at an annual interest rate of LIBOR plus 2% and is guaranteed by the Company.

Pursuant to board resolution on 6 February 2015, the Company proposed and declared a non-cash dividend in total sum of US$19,395 by issuing 1,939,418,570 shares of the Company at a par value of US$0.00001 per share to Decade Sunshine.

On 2 April 2015, Mr. Sheng Guangyang resigned as a director of Sciprogen.

On April 30, 2015, the Company, Shenyang Sunshine and Liaoning Sunshine entered into a letter agreement with Ascentage Pharma, Ascentage Shanghai and Ascentage Jiangsu (collectively, the "Ascentage Parties"), clarifying and modifying the commercialisation rights in relation to in-progress research and development product candidates (the "Subject Assets"). In particular, it was clarified in this letter agreement that, conditional upon receipt by any of the Ascentage Parties or any companies that Ascentage Pharma may swap shares with of any funds of at least US$5 million within 90 days of the date of this letter agreement (the "Conditional Financing Event"), in the event that a third party provides any of the Ascentage Parties with a bona fide written offer (the "Bona Fide Offer") to in-license the commercialisation rights to the Subject Assets in China, the Company will have the right of first refusal to in-license the same on the same terms and conditions as the Bona Fide Offer pertains to China. However, if the Bona Fide Offer covers a territory that includes, besides China, one or more of the United States, Europe and Japan, the Company will not have the right of first refusal but will be eligible to receive a certain percentage of the upfront and milestone payments (after deducting certain research and development expenses incurred by the Ascentage Parties) under the Bona Fide Offer. The Company may also opt to waive its share of the upfront and milestone payments in exchange for an additional right of first refusal to a future Bona Fide Offer for a different product candidate.

Subject to the fulfillment of the Conditional Financing Event, in consideration of the undertakings of Ascentage Parties, the Group agreed: (i) the technology development agreements relating to the Subject Assets are to be terminated; and (ii) the relevant rights and claims relating to

the intellectual properties that were, are currently or will be developed by the Ascentage Parties or to which the Ascentage Parties have or previously had rights, and commercialisation, manufacturing and distribution rights owned or developed by any of the Ascentage Parties shall be assigned to Ascentage Pharma.

Except as disclosed elsewhere in this report, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2014.

49. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2014.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

This information set forth in this Appendix II does not form part of the accountants' report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants 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 the section headed "Financial information" in this Prospectus and the accountants' report set forth in Appendix I to the prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of our adjusted consolidated net tangible assets as of 31 December 2014, which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 December 2014, and is based on our consolidated net tangible assets as at 31 December 2014, as set out in the "Accountants' Report" in Appendix I to this Prospectus.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true and fair picture of our financial position had the Global Offering been completed as of 31 December 2014 or any future dates.

	Adjusted consolidated net tangible assets attributable to the owners of our Company as of 31 December 2014[(1)]	**Estimated net proceeds from the Global Offering[(2)]**	**Unaudited pro forma adjusted consolidated net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share[(3)]**	
	RMB'000	**RMB'000**	**RMB'000**	**RMB**	**HK$**
Based on the Offer Price of HK$8.30 for each Offer Share	296,225	2,993,052	3,289,277	1.36	1.72
Based on the Offer Price of HK$9.10 for each Offer Share	296,225	3,286,431	3,582,656	1.48	1.88

(1) The adjusted consolidated net tangible assets attributable to our equity shareholders as of 31 December 2014 is extracted from the Accountants' Report set out in Appendix I to this Prospectus, which is based on our consolidated net assets attributable to owners of our Company as of 31 December 2014 of RMB932,367,000 with an adjustment of deducting other intangible assets and goodwill as of 31 December 2014 of RMB405,545,000 and RMB230,597,000, respectively.

(2) The estimated net proceeds from the Global Offering are based on an indicative Offer Price of HK$8.30 (equivalent to RMB6.54) and HK$9.10 (equivalent to RMB7.17) per Share respectively (after deducting the underwriting fees and other related expenses), and takes no account of any Shares which may be issued pursuant to the Over-allotment Option. For the purpose of the estimated net proceeds from the Global Offering, the translation of RMB into HK dollars was made at the rate of RMB0.78811 to HK$1, the exchange rate prevailing on 15 May 2015 set by People's Bank of China ("PBOC") for foreign exchange transactions.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted consolidated net tangible assets by 2,424,398,570 Shares, being the number of shares in issue assuming that the Global Offering has been completed but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(B) COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

To the Directors of 3SBio Inc.

We have completed our assurance engagement to report on the compilation of pro forma financial information of 3SBio Inc. (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 of 31 December 2014 and related notes as set out in Part A of Appendix II to this 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 Part A of Appendix II to this 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 of 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 year ended 31 December 2014, on which an accountants' 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 Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 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 accountants' judgment, having regard to the reporting accountants' 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

1 June 2015

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 9, 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on May 23, 2015 with effect from Listing Date. The following is a summary of certain provisions of the Articles:

(a) **Directors**

(i) ***Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) ***Power to dispose of the assets of the Company or any subsidiary***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) ***Loans and provision of security for loans to Directors***

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) ***Disclosure of interests in contracts with the Company or any of its subsidiaries.***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by

the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) ***Retirement, appointment and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) ***Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) ***Proceedings of the Board***

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes provided that the approval of the annual budget of the Company and its subsidiaries shall require the approval of at least 80 per cent of the Directors voting in favour at a meeting of the board. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) ***Register of Directors and Officers***

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) **Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) **Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) **Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) **Special resolution-majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) **Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) **Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual

general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) **Notices of meetings and business to be conducted thereat**

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) **Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) **Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) **Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such

shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) **Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) **Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) **Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) **Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) **Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) **Operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) **Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) **Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are

held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) **Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from August 22, 2006.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) **Winding up**

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) **Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands on August 9, 2006 as an exempted company with limited liability. Our registered office address is at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III to this prospectus.

Our registered place of business in Hong Kong is at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 12, 2015 with the Registrar of Companies in Hong Kong. Ms. Lai Siu Kuen has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

As at the date of this prospectus, our Company's head office was located at No. 3 A1, Road 10, Shenyang Economy and Technology Development Zone, Shenyang, PRC.

2. Changes in the share capital of our Company

Our Company was incorporated with an authorized share capital of US$50,000 divided into 50,000 shares with a par value of US$1.00 each.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of the prospectus:

- On January 1, 2015, our Company issued the CP Guojian Warrant to Shanghai Junling pursuant to which our Company has agreed to issue up to an aggregate of 112,882,033 Shares in our Company to Shanghai Junling upon the exercise of the CP Guojian Warrant. Please refer to the section headed "History, Reorganization and Corporate Structure—CP Guojian Warrant" in this prospectus for further details on the CP Guojian Warrant.

- In preparation for the Pre-IPO Reorganization, we undertook the following steps:

  On February 4, 2015, every issued and unissued share of a par value of US$1.00 each in the share capital of our Company was subdivided into 100,000 shares such that immediately after the subdivision, the Company had an authorized share capital of US$50,000 divided into 5,000,000,000 shares of a par value of US$0.00001 each, of which 100,000 shares were issued to Decade Sunshine.

  Immediately following the above subdivision, the authorized share capital of our Company was increased to US$500,000 divided into 50,000,000,000 shares of a par value of US$0.00001 each by the creation of additional 45,000,000,000 shares of a par value of US$0.00001 each.

  On February 6, 2015, our Company issued and allotted 1,939,418,570 shares of a par value of US$0.00001 each to Decade Sunshine at an aggregate subscription price of US$19,395, the payment of which was settled by the dividend declared by our Company to Decade Sunshine.

Assuming that the Global Offering becomes unconditional and the Offer Shares mentioned in this prospectus are issued (without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option), the authorized share capital of our Company will be US$500,000 divided into 50,000,000,000 Shares, of which 2,424,398,570 Shares will be issued fully paid or credited as fully paid, and 47,575,601,430 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option and the Post-IPO Share Option Scheme, our Company does not have any present intention to issue any of the authorized but unissued share capital and, no issue of Shares will be made which would effectively alter the control of our Company within 12 months from the Listing Date.

Save as disclosed herein and in the sub-paragraph headed "— 4. Written resolutions of our sole Shareholder passed on May 23, 2015" below, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus.

3. **Changes in the share capital of our subsidiaries**

Our Company's subsidiaries are set out in the Accountants' Report in Appendix I to this prospectus. In addition to those disclosed in the sub-paragraph headed "— 2. Changes in the share capital of our Company" above, the following alterations in the share or registered capital of our Company's subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

Hongkong Sansheng

On November 16, 2014, Hongkong Sansheng issued and allotted one ordinary share to Collected Mind for the purpose of acquiring the entire equity interest in Shenyang Sunshine from Collected Mind.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company and subsidiaries within the two years immediately preceding the date of this prospectus.

4. **Written resolutions of our sole Shareholder passed on May 23, 2015**

Written resolutions of our sole Shareholder were passed on May 23, 2015, pursuant to which, among others:

(a) conditional on (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as to be stated in this Prospectus and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; (ii) the Offer Price having been determined; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements; and (iv) the Underwriting Agreements having been duly executed by the Underwriters and the Company:

(1) the Global Offering (including the Over-allotment Option) was approved, and the proposed allotment and issue of the Offer Shares under the Global Offering were approved, and the Directors were authorized to determine the Offer Price for, and to allot and issue the Offer Shares;

(2) the rules of the Post-IPO Share Option Scheme were approved and adopted and the Directors were authorized to make such further changes to the Post-IPO Share Option Scheme as may be required by the Stock Exchange and which they deem necessary and/or desirable and to grant options to eligible participants to acquire Shares thereunder and to allot, issue and deal with Shares pursuant thereto and to take all such actions as they consider necessary and/or desirable to implement or give effect to the Post-IPO Share Option Scheme;

(3) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the Global Offering, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or, pursuant to the exercise of any options which may be granted

under the Post-IPO Share Option Scheme or allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or any options granted under the Post-IPO Share Option Scheme;

(4) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or any options granted under the Post-IPO Share Option Scheme;

(5) the general unconditional mandate as mentioned in paragraph (3) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (4) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or any options granted under the Post-IPO Share Option Scheme); and

(b) our Company conditionally approved and adopted the Memorandum and Articles of Association with effect from the Listing.

Each of the general mandates referred to in paragraphs (a)(3), (a)(4) and (a)(5) above will remain in effect until whichever is the earliest of (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or (3) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

5. POST-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally adopted by the resolutions in writing of our sole Shareholder passed on May 23, 2015.

(a) ***Purpose***

The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Post-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants.

(b) ***Who may join***

Our Board (which expression shall, for the purpose of this paragraph, include a duly authorized committee thereof) may determine the persons belonging to any of the following classes of participants, who our Board considers, in its sole discretion, have contributed or will contribute to our Group, to take up Options to subscribe for Shares:

(i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of our Group; and

(ii) any advisers, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of our Group.

For the avoidance of doubt, the grant of any Options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of Option under the Post-IPO Share Option Scheme.

The eligibility of any of these classes of participants to the grant of any Option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group.

(c) ***Maximum number of Shares***

The overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time (the "**Scheme Limit**").

The Shares which may be issued upon exercise of all Options to be granted under the Post-IPO Share Option Scheme and any other share option scheme adopted by our Group shall not in aggregate exceed 10% of the Shares in issue on the date the Shares commence trading on the Stock Exchange and any Shares which may be allotted and issued by the Company pursuant to the Over-allotment Option (the "**Scheme Mandate Limit**"). Such 10% limit represents 242,439,857 Shares.

Our Company may refresh the Scheme Mandate Limit at any time subject to prior approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid approval by the Shareholders in general meeting. Options previously granted under this Scheme and any other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed. Our Company shall send a circular in accordance with the requirements of the Listing Rules to our Shareholders in connection with the meeting at which their approval will be sought.

Our Company may also seek separate approval of our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit to selected participants specifically identified by the Company before the aforesaid Shareholders' meeting where such approval is sought. In such event, our Company shall send a circular to Shareholders containing a generic description of the specified participants, the number and terms of the Options to be granted, the purpose of granting Options to the selected participants, how those Options serve such purpose, and all other information as required under the Listing Rules.

(d) ***Maximum entitlement of each participant***

Unless approved by the Shareholders in the manner set out in (c) above, the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company to each selected participant (including both exercised and outstanding Options) in any 12 month period shall not exceed 1% of the total number of Shares in issue (the "**Individual Limit**"). Any further grant of Options to a selected participant which would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such participant (including exercised, cancelled and outstanding Options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of the Shareholders in general meeting with such participant and his associates abstaining from voting. A circular shall be sent to the Shareholders disclosing the identity of such participant, the number and terms of the Options granted and to be granted and all other information as required under the Listing Rules. The number and terms (including the subscription price) of Options to be granted to such participant shall be fixed before the Shareholders' approval is sought and the date of the Board meeting for proposing such further grant shall be the date of grant for the purpose of calculating the subscription price.

(e) ***Grant of Options to Connected Persons***

Each grant of Options under the Post-IPO Share Option Scheme to a director, chief executive or substantial shareholder of our Company (or any of their respective associates) shall be subject to the prior approval of our independent non-executive Directors (excluding any independent non-executive Director who is the proposed recipient of the grant of Options). Where any grant of Options to a

substantial Shareholder or an independent non-executive Director (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of the offer of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange);

such further grant of Options must be approved by our Shareholders (voting by way of poll) in general meeting. Our Company shall send a circular to its Shareholders no later than the date on which our Company gives notice of the general meeting to approve the Scheme. All core connected persons of our Company shall abstain from voting at such general meeting, except that any core connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

Any change in the terms of Options granted to any grantee who is a substantial shareholder or an independent non-executive Director (or any of their respective associates) must be approved by our Shareholders in a general meeting.

(f) ***Time of acceptance and exercise of Option***

An Option may be accepted by a participant within ten business days from the date of the offer of grant of the Option.

An Option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of Options is made but shall end in any event not later than 10 years from the date of grant of the Option subject to the provisions for early termination under the Post-IPO Share Option Scheme.

(g) ***Performance targets***

Unless our Directors otherwise determine and state in the offer of the grant of Options to a grantee, a grantee is not required to achieve any performance targets before any Options granted under the Post-IPO Share Option Scheme can be exercised.

(h) ***Subscription price for Shares***

The subscription price per Share under the Post-IPO Share Option Scheme will be a price determined by the Board in its absolute discretion and shall be no less than the higher of:

(i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of the offer of grant, which must be a business day;

(ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of the offer of grant (provided that in the event that any Option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before Listing); and

(iii) the nominal value of a Share on the date of grant.

A nominal consideration of RMB$1.00 is payable upon acceptance of the grant of an Option.

(i) ***Ranking of Shares***

Shares allotted and issued upon the exercise of an Option shall be identical to the then existing issued shares of our Company and subject to all the provisions of the Memorandum and Articles of Association and will rank pari passu with the fully paid Shares in issue on the date the name of the grantee is registered on the register of members of our Company or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, save that the grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of the Company) declared or recommended or resolved to be paid to the Shareholders on the register on a date prior to such registration.

Unless the context otherwise requires, references to "Shares" in this sub-paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(j) ***Restriction on the time of grant of Options***

No Offer shall be made and no Option shall be granted to any participant in circumstances prohibited by the Listing Rules or at a time when the participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law. No offer shall be made and no Option shall be granted to any participants after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in an announcement in accordance with the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of: (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing

Rules) for the approval of the Company's quarterly, half-year or annual results or its results for any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish an announcement of its quarterly, half-year or annual results or its results for any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted. Such period will also cover any period of delay in the publication of any results announcement.

(k) ***Period of the Post-IPO Share Option Scheme***

The Post-IPO Share Option Scheme will remain in force for a period of 10 years commencing from the date of its adoption.

(l) ***Rights are personal to the grantee***

An Option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any Option, except for the transmission of an Option on the death of the grantee to his personal representative(s) on the terms of this Post-IPO Share Option Scheme.

(m) ***Rights on ceasing employment***

If the grantee of an Option is an eligible employee and ceases to be an eligible employee for any reason other than death, or for serious misconduct or other grounds referred to in sub-paragraph (o) below before exercising his or her Option in full, the Option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the Option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was physically at work with our Group whether salary is paid in lieu of notice or not.

(n) ***Rights on death***

If the grantee of an Option ceases to be a participant by reason of his death, before exercising the Option in full, the personal representative(s) of the grantee shall be entitled to exercise the Option in whole or in part within a period of 12 months following the date of death of the grantee.

(o) ***Rights on dismissal***

If the grantee of an Option ceases to be a participant by reason of the termination of his employment or engagement on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment summarily, his Option will lapse automatically.

(p) ***Rights on a general offer, a compromise or arrangement***

If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement) is made to our Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise the Option to its full extent or, if our Company shall forthwith give the relevant notification, to the extent notified by our Company, at any time within such period as shall be notified by our Company.

If a general offer for Shares by way of scheme of arrangement is made to all our Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith give notice thereof to the grantee and the grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company.

(q) ***Rights on winding up***

In the event a notice is given by our Company to our Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee (or in the case of the death of the grantee, his personal representatives(s)) may at any time within such period as shall be notified by our Company, subject to the provisions of all applicable laws, exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed general meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

(r) ***Adjustments***

In the event of an alteration in the capital structure of the Company whilst any Option remains exercisable by way of capitalization of profits or reserves, rights issue, subdivision or consolidation of shares, or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party), such corresponding alterations (if any) shall be made to:-

(a) the number or nominal amount of Shares comprised in each Option so far as unexercised; and/or

(b) the subscription price; and/or

(c) the method of exercise of the Option,

or any combination thereof, as the auditors or a financial advisor engaged by the Company for such purpose shall, at the request of the Company, certify in writing, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided always that any such adjustments should give each grantee the same proportion of the equity capital of the Company as that to which that grantee was previously entitled prior to such adjustments, and no adjustments shall be made which will enable a Share to be issued at less than its nominal value. The capacity of the auditors or financial advisor (as the case may be) in this sub-paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the grantees. The costs of the auditors or financial advisor (as the case may be) shall be borne by the Company.

(s) ***Cancellation of Options granted***

Any Options granted but not exercised may be cancelled if the grantee so agrees. Issuance of new Options to the same grantee may only be made if there are unissued Options available under the Post-IPO Share Option Scheme (excluding the cancelled Options) and in compliance with the terms of the Post-IPO Share Option Scheme.

(t) ***Termination***

Our Company may by ordinary resolution in a general meeting or the Board may at any time resolve to terminate the operation of the Post-IPO Share Option Scheme prior to the expiry of the Post-IPO Share Option Scheme and in such event no further Options shall be offered or granted but the provisions of the Post-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Post-IPO Share Option Scheme.

(u) ***Lapse of an Option***

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the period referred to in sub-paragraph (k);

(ii) the expiry of the periods or dates referred to in sub-paragraphs (m), (n), (o), (p) and (q);

(iii) the date on which the grantee (being an employee or a director of the Group) ceases to be a participant by reason of the termination of his employment or engagement on the grounds that he has been guilty of serious misconduct, or appears to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become bankrupt or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment summarily;

(iv) the date on which the grantee joins a company which the board believes in its sole and reasonable opinion to be a competitor of our Company;

(v) the date on which the grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally; and

(vi) unless our Board otherwise determines, and other than in the circumstances referred to in subparagraphs (m) or (n), the date the Grantee ceases to be a participant (as determined by a Board resolution) for any other reason.

(v) ***Others***

The Post-IPO Share Option Scheme is conditional on the Listing Committee granting or agreeing to grant approval of (subject to such condition as the Stock Exchange may impose) the listing of and permission to deal in such number of Shares to be issued pursuant to the exercise of any Options which may be granted under the Post-IPO Share Option Scheme, such number representing the General Scheme Limit, and the commencement of dealings in the Shares on the Stock Exchange. Application has been made to the Listing Committee for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any Options which may be granted under the Post-IPO Share Option Scheme.

The terms and conditions of the Post-IPO Share Option Scheme relating to the matters set forth in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the Options except with the approval of our Shareholders in a general meeting.

Any alterations to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by our Shareholders in a general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme.

The amended terms of the Post-IPO Share Option Scheme or the Options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Post-IPO Share Option Scheme shall be approved by our Shareholders in a general meeting.

(w) ***Value of Options***

Our Directors consider it inappropriate to disclose the value of Options which may be granted under the Post-IPO Share Option Scheme as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain Option pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest

rate, expected volatility and other variables. As no Options have been granted, certain variables are not available for calculating the value of Options. Our Directors believe that any calculation of the value of Options granted as of the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

(x) ***Grant of Options***

As of the date of this prospectus, no Options had been granted or agreed to be granted under the Post-IPO Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the Options to be granted under the Post-IPO Share Option Scheme.

6. **Reorganization**

For details of the Corporate Restructuring and the Pre-IPO Reorganization that were or will be effected in preparation for the Listing, please refer to the section headed "History, Reorganization and Corporate Structure" in this prospectus.

7. **Summary of the material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

1. the Convertible Notes;

2. an equity transfer agreement dated March 7, 2014 between Mr. Lou and Shenyang Sunshine pursuant to which Mr. Lou agreed to sell and Shenyang Sunshine agreed to purchase the entire equity interest in Liaoning Sunshine;

3. an equity transfer agreement dated October 27, 2014 between Ms. Su and Liaoning Sunshine pursuant to which Ms. Su agreed to assign to Liaoning Sunshine a 10% equity interest in Liaoning Sunshine Technology;

4. an equity transfer agreement dated October 28, 2014 between Collected Mind and Hongkong Sansheng pursuant to which Hongkong Sansheng agreed to acquire the entire equity interest in Shenyang Sunshine from Collected Mind;

5. an equity transfer agreement dated November 12, 2014 among Shenyang Sunshine, Liaoning Sunshine and Beijing Huansheng pursuant to which Shenyang Sunshine and Liaoning Sunshine agreed to sell and Beijing Huansheng agreed to purchase the entire equity interest in Jiangsu Sunshine;

6. an equity purchase agreement dated November 28, 2014 among our Company, Shenyang Sunshine and Suzhou Industrial Park Unicorn Venture Capital Co., Ltd. (蘇州工業園區商悅創業投資有限公司) pursuant to which Suzhou Industrial Park Unicorn Venture Capital Co., Ltd. agreed to sell to Shenyang Sunshine approximately 1.89% of the equity interest in CP Guojian;

7. an equity purchase agreement dated November 28, 2014 among our Company, Shenyang Sunshine and Beijing Meijin Investment Co., Ltd. (北京美錦投資有限公司) pursuant to which Beijing Meijin Investment Co., Ltd. agreed to sell to Shenyang Sunshine approximately 0.87% of the equity interest in CP Guojian;

8. a termination agreement dated November 28, 2014 among Mr. Lou, our Company, Shenyang Sunshine and Liaoning Sunshine pursuant to which certain contractual arrangements were terminated;

9. a termination agreement dated November 28, 2014 among Liaoning Sunshine, Liaoning Sunshine Technology and Ms. Su pursuant to which the nominee arrangement between Liaoning Sunshine and Ms. Su regarding the 10% equity interest in Liaoning Sunshine Technology was terminated;

10. a partnership interest transfer agreement dated December 15, 2014 between Shenyang Sunshine and Ms. Kuai Yuqin (蒯玉琴) pursuant to which Ms. Kuai Yuqin agreed to sell 23.5% of partnership interest in Shanghai Pudong Tianyu to Shenyang Sunshine;

11. a partnership interest transfer agreement dated December 15, 2014 between Liaoning Sunshine and Mr. Qu Rongliang (瞿榮良) pursuant to which Mr. Qu Rongliang agreed to sell 76.5% of partnership interest in Shanghai Pudong Tianyu to Liaoning Sunshine;

12. a sale and purchase agreement dated December 26, 2014 among Shenyang Sunshine, Excel Partner and First Meditech Limited as amended by a supplemental sale and purchase agreement dated February 4, 2015, pursuant to which First Meditech Limited agreed to sell to Shenyang Sunshine the entire share capital in Excel Partner;

13. a sale and purchase agreement dated December 26, 2014 among Century Sunshine, Hongkong Sansheng, Ample Harvest and Market Age Investments Limited as amended by a supplemental sale and purchase agreement dated December 31, 2014, pursuant to which Market Age Investments Limited agreed to sell to Hongkong Sansheng the entire issued share capital in Ample Harvest;

14. an equity transfer agreement dated December 26, 2014 among Shenyang Sunshine, Ms. Zheng Huiyin (鄭惠尹) and Mr. Sheng Weiwei (盛威瑋) as amended by a supplemental equity transfer agreement dated December 31, 2014, pursuant to which Ms. Zheng Huiyin and Mr. Sheng Weiwei agreed to sell to Shenyang Sunshine 100% of the equity interests in Shenzhen Baishitong;

15. a share exchange agreement dated December 31, 2014 among Century Sunshine, our Company and CICC Harvest Limited pursuant to which our Company agreed to acquire the entire issued share capital in CICC Bio Investments from CICC Harvest Limited through a share exchange arrangement between Century Sunshine and CICC Harvest Limited;

16. a strategic framework agreement dated December 31, 2014 between Shenyang Sunshine and CP Guojian setting out the terms of cooperation for the research and development, manufacturing and marketing of mAb therapeutics;

17. the CP Guojian Warrant;

18. a lock-up agreement dated January 1, 2015 between our Company and Shanghai Junling;

19. the Pre-IPO Reorganization Agreement;

20. a deed of indemnity dated March 13, 2015 executed by Dr. Lou in favor of our Company;

21. a cornerstone investment agreement dated May 25, 2015 entered into among our Company, APAC Alpha Advantage Custom Strategy, Emerging Markets Alpha Advantage Fund — Strategic Ltd, Asia Alpha Advantage Fund Ltd, Pan Asia Opportunities Master Fund Ltd, Emerging Markets Alpha Advantage Fund — Strategic Screened Ltd, Emerging Markets Alpha Advantage Fund Ltd., Emerging Markets Alpha Master Fund Ltd., DC Pacific Growth Fund, BlackRock Global Funds — Asian Dragon Fund, BlackRock Global Funds — Asian Growth Leaders Fund, BlackRock Asia Fund, BlackRock Asia Special Situations Fund, BlackRock Global Funds — China Fund, BlackRock Institutional Equity Funds — Pacific, BlackRock Global Funds — Pacific Equity Fund (the "**BlackRock Funds**") and the Joint Sponsors and Joint Global Coordinators, pursuant to which the BlackRock Funds agreed to subscribe for our Shares in the aggregate amount of US$40 million;

22. a cornerstone investment agreement dated May 25, 2015 entered into among our Company, China Life Franklin Asset Management Co., Limited and the Joint Sponsors and Joint Global Coordinators, pursuant to which China Life Franklin Asset Management Co., Limited agreed to subscribe for our Shares in the amount of US$20 million;

23. a cornerstone investment agreement dated May 25, 2015 entered into among our Company, GIC Private Limited and the Joint Sponsors and Joint Global Coordinators, pursuant to which GIC Private Limited agreed to subscribe for our Shares in the amount of US$30 million;

24. a cornerstone investment agreement dated May 25, 2015 entered into among our Company, ICBC Credit Suisse Asset Management (International) Company Limited and the Joint Sponsors and Joint Global Coordinators, pursuant to which ICBC Credit Suisse Asset Management (International) Company Limited agreed to subscribe for our Shares in the amount of US$0.1 million;

25. a cornerstone investment agreement dated May 25, 2015 entered into among our Company, ICBC Credit Suisse Asset Management (International) Company Limited, acting as the investment manager of the National Council For Social Security Fund ("**ICBCCSI-NSSF**") and the Joint Sponsors and Joint Global Coordinators, pursuant to which ICBCCSI-NSSF agreed to subscribe for our Shares in the amount of US$9.9 million;

26. a cornerstone investment agreement dated May 25, 2015 entered into among our Company, Lilly Asia Ventures Fund III, L.P., LAV Biosciences Fund III, L.P. and the Joint Sponsors and Joint Global Coordinators, pursuant to which Lilly Asia Ventures Fund III, L.P. and LAV Biosciences Fund III, L.P. agreed to subscribe for our Shares in the aggregate amount of US$30 million;

27. a cornerstone investment agreement dated May 25, 2015 entered into among our Company, New China Asset Management (Hong Kong) Limited and the Joint Sponsors and Joint Global Coordinators, pursuant to which New China Asset Management (Hong Kong) Limited agreed to subscribe for our Shares in the amount of US$20 million; and

28. the Hong Kong Underwriting Agreement.

B. PURCHASE BY THE COMPANY OF ITS OWN SECURITIES

This section includes information required by the Stock Exchange to be included in this prospectus concerning the purchase by us of our own securities.

1. Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to purchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(a) *Shareholders' approval*

The Listing Rules require all purchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange to be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

(b) *Source of funds*

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Islands Company Law. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Islands Company Law.

(c) ***Trading Restrictions***

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(d) ***Status of repurchased shares***

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman law.

(e) ***Core connected persons***

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

2. **Reasons for repurchases**

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

3. **General**

(a) None of our Directors, to the best of their knowledge having made all reasonable enquiries, or any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.

(b) Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of Hong Kong.

(c) If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, 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 could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

(d) No core connected person (as defined in the Listing Rules) has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

C. INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP

1. **Trademarks**

As of the Latest Practicable Date, the Group had registered the following trademarks which are material in relation to our Group's business:

No.	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
1.	特比澳	PRC	Shenyang Sunshine	5	3584962	27-06-2015(1)
2.	TPIAO	PRC	Shenyang Sunshine	5	3584963	27-06-2015(1)
3.	因特芬 INTEFEN	PRC	Shenyang Sunshine	5	948717	20-02-2017

Note:

(1) Renewal was ongoing as of the Latest Practicable Date.

No.	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
4.		PRC	Shenyang Sunshine	5	1244256	06-02-2019
5.	NuPIAO	PRC	Shenyang Sunshine	5	7869094	20-01-2021
6.	EPIAO	PRC	Shenyang Sunshine	5	1664554	13-11-2021
7.	益比奥	PRC	Shenyang Sunshine	5	1664556	13-11-2021
8.	SANSHENG	PRC	Shenyang Sunshine	5	7495001	06-09-2022
9.	INTEFEN	PRC	Shenyang Sunshine	5	1907874	27-09-2022
10.	英路因	PRC	Shenyang Sunshine	5	1907876	27-09-2022
11.	因特芬	PRC	Shenyang Sunshine	5	1907878	27-09-2022
12.	INLEUSIN	PRC	Shenyang Sunshine	5	1907880	27-09-2022
13.	Anfliximab	PRC	Shenyang Sunshine	5	10430471	20-03-2023
14.	Anfula	PRC	Shenyang Sunshine	5	11124517	13-11-2023
15.	派优舒	PRC	Shenyang Sunshine	5	11952994	13-06-2024
16.	酷宝宝	PRC	Liaoning Sunshine	5	3624607	27-01-2016
17.	爱析家 RENAL CARE	PRC	Liaoning Sunshine Technology	41	8623662	27-11-2021

No.	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
18.	爱析家 RENAL CARE	PRC	Liaoning Sunshine Technology	35	8623663	20-10-2021
19.	爱析家 RENAL CARE	PRC	Liaoning Sunshine Technology	44	8623664	20-10-2021
20.		PRC	Liaoning Sunshine Technology	44	8623665	20-10-2021
21.		PRC	Liaoning Sunshine Technology	41	8623666	13-09-2021
22.		PRC	Liaoning Sunshine Technology	35	8623667	20-10-2021
23.	1D 赛保尔生物 SPG	PRC	Sciprogen	5	3995588	13-02-2017
24.	赛博宁	PRC	Sciprogen	5	4218768	20-07-2017
25.	赛怡康保	PRC	Sciprogen	5	4958173	13-04-2019
26.	赛博尔 SEPO	PRC	Sciprogen	5	1511774	20-01-2021
27.	赛博而 SEPO	PRC	Sciprogen	5	1511775	20-01-2021

No.	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
28.		PRC	Sciprogen	5	1696450	13-01-2022
29.		PRC	Sciprogen	5	1760629	06-05-2022
30.		Italy	Sirton	3, 5 and 40	1476649	19-07-2021
31.	Sirton	Italy	Sirton	1,3,5 and 40	1481301	31-05-2022
32.	Sirton	European Union	Sirton	1,3,5 and 40	10585941	24-01-2022
33.		International Registration	Sirton	3,5 and 40	1089855	20-07-2021
34.	Sirton	Brazil	Sirton	5	826958265	23-10-2017
35.	Sirton	Brazil	Sirton	40	826995667	23-10-2017

As of the Latest Practicable Date, the Group had applied for registration of the following trademarks which are material in relation to our Group's business:

No.	Trademark	Place of Registration	Applicant	Class	Application Number	Application Date (dd/mm/yyyy)
1.	爱益舒	PRC	Shenyang Sunshine	5	13683747	06-12-2013
2.	PECASE	PRC	Shenyang Sunshine	5	11953002	25-12-2012
3.		PRC	Shenyang Sunshine	5	12693732	03-06-2013

No.	Trademark	Place of Registration	Applicant	Class	Application Number	Application Date (dd/mm/yyyy)
4.	节安欣	PRC	Shenyang Sunshine	5	15491399	11-10-2014
5.	PECASE	PRC	Shenyang Sunshine	5	16205196	21-01-2015
6.	三生制药 3SBIO	Hong Kong	Our Company	5 and 35	303234140	12-12-2014
7.		Hong Kong	Our Company	5 and 35	303234168	12-12-2014
8.	3SBIO	Hong Kong	Our Company	5 and 35	303234177	12-12-2014

2. **Patents**

As of the Latest Practicable Date, the Group had registered and maintained the following patents which are material in relation to our Group's business:

No.	Patent	Patentee	Place of Registration	Patent Number	Application Date (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
1.	Production methods for the preparation of recombinant human thrombopoietin (重組人血小板生成素製劑的製備生產方法)	Shenyang Sunshine	PRC	ZL00109612.5	19-06-2000	18-06-2020
2.	A production method for the drug which can enhance the stability of polypeptides in vivo and its use (一種增強多肽在體內穩定性藥物的生產方法及其應用)	Shenyang Sunshine	PRC	ZL01128011.5	07-08-2001	06-08-2021
3.	PEG-Modified Uricase (PEG修飾的尿酸酶)	Shenyang Sunshine	PRC	ZL02819387.3	26-04-2002	25-04-2022

No.	Patent	Patentee	Place of Registration	Patent Number	Application Date	Expiry Date
					(dd/mm/yyyy)	(dd/mm/yyyy)
4.	A stable preparation of recombinant human erythropoietin (一種穩定的重組人紅細胞生成素製劑)	Shenyang Sunshine	PRC	ZL03100653.1	20-01-2003	19-01-2023
5.	The method of producing an interleukin analogue (生產一種白細胞介素類似物的方法)	Shenyang Sunshine	PRC	ZL200610046222.2	31-03-2006	30-03-2026
6.	Pyrimidinyl-propionic acid derivatives, and its preparation technology and the use in the treatment of polycystic kidney disease (嘧啶取代苯丙酸衍生化合物、其制法和在治療多囊腎疾病中的用途)	Shenyang Sunshine	PRC	ZL200610025586.2	11-04-2006	10-04-2026
7.	A new erythropoietin analogues (一種新的促紅細胞生成素類似物)	Shenyang Sunshine	PRC	ZL200710127362.7	02-07-2007	01-07-2027
8.	Natural human erythropoietin analogues (天然人促紅細胞生成素類似物)	Shenyang Sunshine	PRC	ZL201310016616.3	02-07-2007	01-07-2027
9.	Pyrimidinyl-propionic acid derivatives and their use as PPAR agonists (一類嘧啶取代苯丙酸衍生物及其作為PPAR激動劑的用途)	Shenyang Sunshine	PRC	ZL200780101081.2	11-10-2007	10-10-2027
10.	The pharmaceutical composition of human papillomavirus and its uses (人乳頭瘤病毒藥物組合物及其應用)	Shenyang Sunshine	PRC	ZL201110313514.9	17-10-2011	16-10-2031
11.	Continuous pegylation reaction method of recombinant human erythropoietin (重組人促紅素的連續聚乙二醇化反應方法)	Sciprogen	PRC	ZL201210257542.8	24-07-2012	23-07-2032

No.	Patent	Patentee	Place of Registration	Patent Number	Application Date	Expiry Date
					(dd/mm/yyyy)	(dd/mm/yyyy)
12.	Polymer/recombinant human erythropoietin conjugate (聚合物/重組人促紅素偶聯物)	Sciprogen	PRC	ZL200710123683.X	30-09-2007	29-09-2027
13.	Serum-free medium and the culture method for high level expression of erythropoietin in CHO cells (無血清培養基及CHO細胞中高效表達促紅素的培養方法)	Sciprogen	PRC	ZL201110192509.7	11-07-2011	10-07-2031
14.	Phenanthroline - zinc sulfate UV spectroscopy to determine the concentration of nadroparin calcium solution (鄰菲羅啉-硫酸鋅紫外光譜法測定那曲肝素鈣的溶液濃度)	Sciprogen	PRC	ZL201310036199.9	30-01-2013	29-01-2033
15.	A production process of nadroparin calcium with low residual ethanol (一種低乙醇殘留的那曲肝素鈣生產工藝)	Sciprogen	PRC	ZL201310145040.0	24-04-2013	23-04-2033
16.	A purification and preparation method of mono-substituted PEG-EPO (一種單取代PEG-EPO的純化及製備方法)	Guangdong Sciprogen	PRC	ZL201010516922.X	22-10-2010	21-10-2030
17.	PEG-Modified Uricase	Shenyang Sunshine	United States	6913915	02-08-2001	01-08-2021
18.	Pyrimidinyl-propionic acid derivatives and their use as PPAR agonists	Shenyang Sunshine	United States	8513233	11-10-2007	01-10-2028

As of the Latest Practicable Date, the Group had applied for registration of the following patents which are material in relation to our Group's business:

No.	Patent Description	Applicant	Place of Application	Application Number	Application Date
					(dd/mm/yyyy)
1.	The application of thrombopoietin in the intestinal tissue injury caused by radiation. (血小板生成素在輻射造成腸組織損傷中的應用)	Shenyang Sunshine	PRC	201410653349.5	17-11-2014
2.	Aryloxy- or heteroaryloxy-substituted 5-hydroxy-1,7-naphthalene compound, preparation method and uses thereof (被芳氧基或雜芳氧基取代的5-羥基-1,7-萘啶化合物、其製備方法及其製藥用途)	Shenyang Sunshine and Sciprogen	PRC	201510140858.2	27-03-2015
3.	Aryl- or heteroaryl-substituted 5-hydroxy-1,7-naphthalene compound, preparation method and uses thereof (被芳基或雜芳基取代的5-羥基-1,7-萘啶化合物、其製備方法及其製藥用途)	Shenyang Sunshine and Sciprogen	PRC	201510141555.2	27-03-2015
4.	3-hydroxy pyridine compound, preparation method and uses thereof (3-羥基吡啶化合物、其製備方法及其製藥用途)	Shenyang Sunshine and Sciprogen	PRC	201510141553.3	27-03-2015
5.	A method for efficient production of erythropoietin (一種高效生產促紅細胞生成素的方法)	Sciprogen	PRC	201410086688.X	10-03-2014
6.	Spectrometric method for the detection of PEG-EPO solution (重組人促紅素聚乙二醇化反應液的光譜檢測法及應用)	Sciprogen	PRC	201410159182.7	18-04-2014
7.	A method detecting nadroparin calcium product (一種檢測那曲肝素鈣製品的方法)	Guangdong Sciprogen	PRC	201310317056.5	25-07-2013

3. **Domain names**

As of the Latest Practicable Date, the Group had registered and maintained the following domain names which are material in relation to our Group's business:

No.	Domain Name	Registered Owner	Expiry Date (dd/mm/yyyy)
1.	3sbio.com	Shenyang Sunshine	27-10-2017
2.	3sbio.cn	Shenyang Sunshine	09-07-2017
3.	cnbio.org	Shenyang Sunshine	23-11-2016
4.	3sbio.com.cn	Shenyang Sunshine	06-11-2016
5.	fallenangle.com	Shenyang Sunshine	26-03-2016
6.	www.sirton.it	Sirton	09-07-2015

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group's business.

D. FURTHER INFORMATION ABOUT THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. **Particulars of Directors' service contracts and appointment letters**

(a) ***Executive Directors***

Dr. Lou has entered into a service contract with our Company on May 21, 2015. The initial term of his service contract shall commence from the date of his appointment and continue for a period of three years after or until the third annual general meeting of the Company since the Listing Date, whichever is earlier, and shall be automatically renewed for successive periods of three years (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing.

Each of the other executive Directors (i.e. Mr. Tan, Ms. Su and Mr. Huang) has entered into a service contract with our Company on May 21, 2015. The initial term of their service contracts shall commence from the date of his or her appointment and continue for a period of three years after or until the third annual general meeting of the Company since the Listing Date, whichever is earlier (subject always to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than one months' prior notice in writing.

The annual director's fees of the executive Directors payable by our Company are as follow:

Executive Directors	US$
Mr. LOU Jing (婁競)	120,000
Mr. TAN Bo (譚擘)	120,000
Ms. SU Dongmei (蘇冬梅)	75,000
Mr. HUANG Bin (黃斌)	100,000

(b) ***Non-executive Directors and independent non-executive Directors***

Each of the non-executive Directors has entered into an appointment letter with our Company on May 21, 2015. The initial term for their appointment letters shall commence from the date of their appointments and shall continue for one year after or until the first annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing. Under these appointment letters, our non-executive Directors are not entitled to any remuneration and benefits as the non-executive Directors of the Company.

Each of the independent non-executive Directors has entered into an appointment letter with our Company on May 21, 2015. The initial term for their appointment letters shall be one year from the date of this prospectus or until the first annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. Under these appointment letters, each of our independent non-executive Directors will receive an annual director's fee of HK$300,000.

2. **Remuneration of Directors**

(a) Remuneration and benefits in kind of approximately RMB20.3 million, RMB79.3 million and RMB45.6 million in aggregate were paid and granted by our Group to our Directors in respect of the years ended December 31, 2012, 2013 and 2014, which include the accelerated vesting of share-based rewards related to our privatization transaction and share-based awards granted in August 2013 and 2014.

(b) Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending December 31, 2015, is expected to be approximately RMB6.1 million in aggregate (excluding discretionary bonus).

(c) Save as disclosed in this sub-paragraph headed "—1. Particular of Directors' service contracts and appointment letters" above, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. **Disclosure of interests**

(a) ***Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Global Offering***

Immediately following completion of the Global Offering (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), the interests or short positions of our Directors and chief executives in the shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is 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 recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Name of director or chief executive	Nature of interest	Number and class of securities	Approximate percentage of interest in our Company immediately after the Global Offering[1]
LOU Jing (婁競)[2]	Interest in a controlled corporation	659,367,030	27.20%
TAN Bo (譚擘)[3]	Interest in a controlled corporation	115,549,920	4.77%
SU Dongmei (蘇冬梅)[4]	Interest in a controlled corporation	26,403,630	1.09%
HUANG Bin (黃斌)[5]	Interest in a controlled corporation	33,919,350	1.40%

Notes:

(1) The calculation is based on the total number of 2,424,398,570 Shares in issue immediately after completion of the Global Offering (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option).

(2) Century Sunshine is owned as to 58.50% by Dr. Lou, 32.40% by Lambda International and 9.10% by Mr. Tan. Dr. Lou is therefore deemed to be interested in the Shares held by Decade Sunshine, which is wholly owned by Century Sunshine, for the purpose of the SFO.

(3) Triple Talent is wholly-owned by Mr. Tan. As such, Mr. Tan is deemed to be interested in the Shares held by Triple Talent.

(4) Joint Palace is wholly-owned by Ms. Su. As such, Ms. Su is deemed to be interested in the Shares held by Joint Palace.

(5) Known Virtue is wholly-owned by Mr. Huang. As such, Mr. Huang is deemed to be interested in the Shares held by Known Virtue.

(b) ***Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO***

For information on the persons who will, immediately following the completion of the Global Offering and taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 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 any other member of our Group, please refer to the section headed "Substantial Shareholders" in this prospectus.

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering and taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such Capital.

4. **Disclaimers**

Save as disclosed in this prospectus:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;

(b) none of the Directors or the experts named in the paragraph headed "F. Other Information—9. Consents of experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this prospectus;

(d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;

(e) taking no account of any Shares which may be taken up under the Global Offering and allotted and issued pursuant to the exercise of the Over-allotment Option, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering, have interests or short positions in the Shares and underlying Shares which would

fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, 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 the Group; and

(f) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company 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 the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon.

E. THE SUN SHINE TRUST

Our Company has established The Sun Shine Trust under which certain employees of our Company and other persons may receive cash distribution from sale proceeds of the Shares (the "**Trust Shares**") to be exchanged upon completion of the Pre-IPO Reorganization from 1,904,771 shares of Century Sunshine previously issued and allotted to Mr. Tan, Mr. Huang, Ms. Su and Mr. Li Ke (collectively, the "**Settlors**") on November 3, 2014. The Sun Shine Trust was set up by the Settlors to hold the Trust Shares on behalf of the employees of our Company.

An advisory committee of the Trust has been set up and has the power to instruct the Trustee (as the trustee of The Sun Shine Trust) to make any investment decisions (including sale of the Trust Shares) and to direct the Trustee to appoint any individual employee as beneficiary and make distributions. The initial advisory committee, comprising the Settlors, has the right to appoint additional members of the advisory committee or nominate new members on any vacancy arising or on specified members ceasing to be members of the committee. The beneficiaries of The Sun Shine Trust are the employees of our Company and other persons designated by the advisory committee at the time of distribution of trust funds and may be added or removed by the advisory committee from time to time (the "**Beneficiaries**").

Under The Sun Shine Trust, the advisory committee can direct the Trustee to make distributions to the Beneficiaries from the trust including, but not limited to, sale proceeds of the Trust Shares any time during 150 years subsequent to the date of the deed of settlement constituting The Sun Shine Trust (the "**Trust Duration**") subject to the terms and conditions prescribed in the trust deed.

The cash distribution will be carried out subject to certain conditions imposed by the advisory committee from time to time (e.g. the Beneficiary must have been an employee or corporate officer of the Group on a continuous and uninterrupted basis throughout the Trust Duration, and the Beneficiaries must comply with his or her non-competition and confidentiality obligations prescribed in his or her employment agreement or other relevant agreements entered into with our Company).

F. OTHER INFORMATION

1. Litigation

Save as disclosed in this prospectus, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

2. Preliminary listing expenses and Joint Sponsors' fees

The preliminary listing expenses of the Global Offering are estimated to be approximately HK$234.6 million and are payable by our Company.

Each of the Joint Sponsors will be paid by our Company a fee of US$0.5 million to act as a sponsor to the Company in connection with the Listing.

3. Agency fees or commissions

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries.

4. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue as mentioned herein and any Shares falling to be issued pursuant to the Global Offering and the exercise of the Over-allotment Option. All necessary arrangements have been made to enable such Shares to be admitted into CCASS. Save as disclosed in the section headed "Underwriting — Independence of the Joint Sponsors" in this prospectus, each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

5. No material adverse change

Our Directors believe that there has been no material adverse change in the financial or trading position since December 31, 2014 (being the date on which the latest consolidated financial statements of the Group were made up).

6. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

7. **Miscellaneous**

(a) Save as disclosed in this prospectus:

(i) within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash; and

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) Our Company has no founder shares, management shares or deferred shares in the capital of the Company.

(c) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

(d) None of the equity and debt securities of our Company is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

8. **Qualifications of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
CITIC Securities Corporate Finance (HK) Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Goldman Sachs (Asia) L.L.C.	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Morgan Stanley Asia Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Bonelli Erede Pappalardo	Italy attorneys-at-law
Conyers Dill & Pearman	Cayman Islands attorneys-at-law

Name	Qualification
Ernst & Young	Certified public accountants
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Jingtian & Gongcheng	Qualified PRC lawyers

9. **Consents of experts**

Each of the experts listed in the sub-paragraph headed "—8. Qualifications of experts" above has given and has not withdrawn their respective consents to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it appears.

As of the Latest Practicable Date, none of the experts named in the sub-paragraph headed "—8. Qualifications of experts" above had any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

10. **Promoter**

We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.

11. **Selling Shareholder**

CS Sunshine is an investment holding company incorporated in the BVI on October 11, 2012 with its registered office located at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. Please refer to the section headed "History, Reorganization and Corporate Structure—Information about the Pre-IPO Investors" in this prospectus for further information on CS Sunshine. The number of Sale Shares to be initially offered for sale by CS Sunshine under the International Placing is 121,220,000 Shares.

G. GENERAL

1. Taxation of holders of our Shares

(a) ***Hong Kong***

Dealings in Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would be likely to fall upon any member of our Group.

(b) ***Cayman Islands***

Under the present laws of the Cayman Islands, no stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those who hold interests in land in the Cayman Islands.

(c) ***Consultation with professional advisors***

Potential investors in the Global Offering should consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and disposing of, or dealing in Shares. It is emphasized that none of us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors and the Underwriters and their respective directors or any other parties involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, persons resulting from the application for, or purchasing, holding and disposal of, or dealing in Shares.

2. 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 (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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:

(a) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in the paragraph headed "Statutory and General Information—F. Other Information—9. Consents of experts" in Appendix IV to this prospectus; and

(c) copies of the material contracts referred to in the paragraph headed "Statutory and General Information—A. Further Information about our Company—7. Summary of the material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Skadden, Arps, Slate, Meagher & Flom at 42/F Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum and Articles of Association;

(b) the Accountants' Report prepared by Ernst & Young, the text of which are set out in Appendix I to this prospectus;

(c) the report received from Ernst & Young in relation to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(d) the material contracts referred to in the section headed "Statutory and General Information—A. Further Information about our Company—7. Summary of the material contracts" in Appendix IV to this prospectus;

(e) the service contracts and appointment letters with Directors, referred to in the section headed "Statutory and General Information—D. Further Information about the Directors and Substantial Shareholders—1. Particulars of Directors' service contracts and appointment letters" in Appendix IV to this prospectus;

(f) the written consents referred to in the section headed "Statutory and General Information—F. Other Information—9. Consents of experts" in Appendix IV to this prospectus;

(g) the legal opinions dated this prospectus date prepared by Jingtian & Gongcheng, our legal adviser as to PRC law, in respect of certain aspects of our Group and our property interests;

(h) the legal opinion dated this prospectus date prepared by Bonelli Erede Pappalardo, our legal adviser as to Italy law, in respect of Sirton;

(i) the letter of advice prepared by Conyers Dill & Pearman, our legal adviser as to the law of the Cayman Islands, summarizing certain aspects of the Cayman Islands Company Law and certain provisions of the constitution of our Company referred to in Appendix III to this prospectus;

(j) the Post-IPO Share Option Scheme;

(k) the Cayman Islands Company Law; and

(l) a statement of particulars of the Selling Shareholder.

三生制药
3SBIO INC.