I. RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

BACKGROUND

The Controlling Shareholder is an enterprise owned by the whole people established in the PRC in 1998 under the direct control of SASAC. According to the statistical report produced by CAPC on the PRC pharmaceutical sector from 2003 to 2008, the CNPGC Group was the largest pharmaceutical conglomerate by sales in the PRC pharmaceutical market.

The Controlling Shareholder's business strategy is and has always been for our Company to act as its flagship for the distribution of medicines and for members of the CNPGC Group (other than our Company) to focus on other principal businesses. The Controlling Shareholder owns certain interests in (i) the Excluded Companies, which engage in the distribution and/or production of medicines, and/or operation of retail drug stores and/or provision of import agency service; and (ii) members of the CNPGC Group (other than our Company and the Excluded Companies), which engage in the production of Chinese medicines, production of medical equipment, provision of pharmaceutical research and development service and provision of pharmaceutical related services (i.e. pharmaceutical exhibitions, provision of pharmaceutical related construction services, pharmaceutical magazines and property management).

The Controlling Shareholder provides pharmaceutical research and development services through its subsidiary, Sichuan Antibiotic Institute. Sichuan Antibiotic Institute primarily focuses on early stage discovery and basic research, such as theoretical research, new chemical discovery, and pre-clinical animal studies. Its customers include members of the CNPGC Group and independent third parties. Although our Company also carries on research and development activities, our Company does not carry on such activities as a separate business for third parties. Instead, our research and development activities are conducted for our Company's own internal needs only and mainly focus on later stage product development and commercialization research efforts, such as drug formulation and manufacturing process optimization.

The Controlling Shareholder provides import agency service through its two subsidiaries, Trading Company and South Trade. The types of products for which these two companies provide import agency services include not only medicines, but also a wide range of healthcare and non-healthcare general products. Although our Company also provides import agency services, we do not provide such services as a separate business. This service is an optional service which constitutes merely part of our Company's distribution business. Our Company neither provides such services to third parties other than its suppliers, nor to its suppliers on a standalone basis. We will only provide such services to our suppliers when they, e.g. foreign medicines producers, are unable to import their medicines into the PRC for any reason and require us to provide them with such services.

As such, the Directors consider that there is no competition between the provision of pharmaceutical research and development services and import agency services by the above subsidiaries of the Controlling Shareholder and by our Company.

The Directors consider that, other than the Excluded Companies and our Company, members of the CNPGC Group do not engage in businesses which directly or indirectly compete with our businesses. The Excluded Companies represent all the companies and businesses of the Parent Group that compete with our Company. The Excluded Companies have not been included in our Company for the reasons further described below. As such, this may result in competition between the Excluded Companies' and our Company's business operations in the PRC in the manner described below.

COMPETITION

A. OUR CORE BUSINESS

Our core business is the distribution of Western medicines in the PRC. It is the intention of our Company to focus on our Core Business. The distribution of Western medicines by our Company accounted for more than 85% of our total audited revenue for the year ended 31 December 2008. Other than our Core Business, we also engage in, inter alia, the distribution of Chinese medicines, the operation of retail drug stores and the production of Western medicines. For the year ended 31 December 2008, the distribution of Chinese medicines, the operation of retail drug stores and the production of Western medicines by our Company accounted for less than 10%, approximately 2.5% and approximately 2.4% of our total audited revenue respectively.

B. BUSINESSES ENGAGED BY THE EXCLUDED COMPANIES (OTHER THAN XINJIANG COMPANY)

(i) Western Medicines Distribution Business

All the six following subsidiaries of the Controlling Shareholder engage in certain Western medicines distribution business in the PRC. For the years ended 31 December 2006, 2007 and 2008, the aggregate revenues audited or unaudited, as the case may be, of such companies attributable to their Western medicines distribution business as prepared in accordance with PRC GAAP were approximately RMB1,225 million, RMB1,466 million and RMB1,577 million, representing approximately 5.2%, 4.7% and 4.1% of our total audited revenues for the corresponding period.

Description of business

Industry Company and two of its subsidiaries

(1) Industry Company

Industry Company is a direct wholly-owned subsidiary of the Controlling Shareholder. Industry Company mainly engages in making investments in companies which produce Western medicines. The principal business of certain of its subsidiaries and associated companies is the production of Western medicines in the PRC. At the same time, Industry Company also engages in Western medicines distribution business. The target customers of Industry Company's Western medicines distribution business are hospitals in Beijing and pharmaceutical companies located in Beijing, Guangdong, Liaoning, Shandong and Tianjin. The unaudited revenues of Industry Company attributable to its Western medicines distribution business as prepared in accordance with PRC GAAP for the years ended 31 December 2006, 2007 and 2008 were approximately RMB441 million, RMB511 million and RMB426 million.

(2) Hubei Yibao

Hubei Yibao is owned as to 51% by Industry Company. The principal business of Hubei Yibao is the distribution of Western medicines in Hubei Province. The target customers of Hubei Yibao are hospitals in Wuhan. The audited revenues of Hubei Yibao attributable to its Western medicines distribution business as prepared in accordance with PRC GAAP for the years ended 31 December 2006, 2007 and 2008 were approximately RMB95 million, RMB125 million and RMB104 million.

(3) Tianjin Company

Tianjin Company is owned as to 55% by Industry Company. The business of Tianjin Company is the distribution of Western medicines in Tianjin. The target customers of Tianjin Company are pharmaceutical companies and hospitals located in Tianjin. The audited revenues of Tianjin Company as prepared in accordance with PRC GAAP for the years ended 31 December 2006, 2007 and 2008 were approximately RMB40 million, RMB44 million and RMB44 million.

Trading Company and one of its subsidiaries

(1) Trading Company

Trading Company is a direct wholly-owned subsidiary of the Controlling Shareholder. The principal business of Trading Company is the provision of import agency services in the PRC. At the same time, Trading Company also engages in a limited Western medicines distribution business. The target customers of its Western medicines distribution business are pharmaceutical companies, end-customers and certain hospitals located in Beijing, Tianjin and Liaoning. The unaudited revenues of Trading Company attributable to its Western medicines distribution business as prepared in accordance with PRC GAAP for the years ended 31 December 2006, 2007 and 2008 were approximately RMB186 million, RMB234 million and RMB337 million.

(2) South Trade

South Trade is owned as to 51% by Trading Company. The principal business of South Trade is the provision of import agency services in relation to medicines and other products in the PRC. At the same time, South Trade also engages in a limited Western medicines distribution business. The target customers of its Western medicines distribution business are pharmaceutical companies and hospitals located in Guangdong Province and Southern China. The unaudited revenues of South Trade attributable to its Western medicines distribution business as prepared in accordance with PRC GAAP for the years ended 31 December 2006, 2007 and 2008 were approximately RMB121 million, RMB145 million and RMB173 million.

Guangdong Dong Fang

Guangdong Dong Fang is an indirect wholly-owned subsidiary of the Controlling Shareholder, which is held through its direct subsidiary Traditional & Herbal Medicine Company. The principal business of Guangdong Dong Fang is the distribution of Western medicines in Guangzhou. The target customers of Guangdong Dong Fang are hospitals and pharmaceutical companies located in Guangzhou. The audited revenues of Guangdong Dong Fang as prepared in accordance with PRC GAAP for the years ended 31 December 2006, 2007 and 2008 were approximately RMB342 million, RMB406 million and RMB493 million.

Rationale for non-inclusion

The Directors consider that it is neither necessary nor appropriate to include the six companies above in our Company for the following reasons:

(1) Industry Company mainly engages in making investments in companies which produce Western medicines and it also engages in a Western medicines distribution business. The principal business of certain of its subsidiaries and associated companies is the production of Western medicines in the PRC, not the distribution of Western medicines. Industry Company intends to cease its Western medicines distribution business within two years after [●]. After such cessation, the Directors consider there will not be any competition between (a) Industry Company and certain of its subsidiaries and associated companies which produce Western medicines; and (b) our Western medicines distribution business. Furthermore, Industry Company is currently operating its Western medicines distribution business at a loss. Therefore, the acquisition of Industry Company would not be in the best interests of our Company and our shareholders;

(2) Hubei Yibao is operating at a loss and the size of its business operation is comparatively small. In addition, through our subsidiary Sinopharm Hubei, we have already established a strong platform in Hubei province to engage in the distribution of Western medicines in Hubei province. The audited revenue of Sinopharm Hubei as prepared in accordance with PRC GAAP for the year ended 31 December 2008 was approximately RMB885 million. Therefore, the Company is of the view that only very limited synergy (if any) will be achieved by the acquisition of Hubei Yibao and such acquisition would not be in the best interests of our Company and our shareholders;

(3) Through our subsidiary Sinopharm Tianjin, we have already established a strong platform in Tianjin to engage in the distribution of Western medicines and other related businesses in Tianjin. The audited revenue of Sinopharm Tianjin as prepared in accordance with PRC GAAP for the year ended 31 December 2008 was approximately RMB6,388 million. Since Tianjin Company is currently operating at a loss and the operation of Sinopharm Tianjin is much bigger than that of Tianjin Company, the Company is of the view that only very limited synergy (if any) will be achieved by the acquisition of Tianjin Company and such acquisition would not be in the best interests of our Company and our shareholders. Industry Company is in the process of disposing of its entire equity interest in Tianjin Company through the Beijing Equity Exchange of the PRC;

(4) Trading Company and South Trade only engage in a limited Western medicines distribution business and they intend to cease to engage in any Western medicines distribution business within two years after [●] and focus on their current principal businesses; and

(5) Guangdong Dong Fang also intends to cease its Western medicines distribution business within two years after [●]. Furthermore, Guangdong Dong Fang is an enterprise owned by the whole people (全民所有制企業). Under the relevant PRC laws, it is not proper to include an enterprise owned by the whole people in a listed joint stock company. Therefore, Guangdong Dong Fang must be converted

into a limited liability company before it can be included in our Company. The procedures required for the conversion are complicated and time-consuming.

(ii) Chinese Medicines Distribution Business

Description of business

Traditional & Herbal Medicine Company and certain of its subsidiaries engage in limited Chinese medicines distribution business in the PRC. For the years ended 31 December 2006, 2007 and 2008, the aggregate unaudited revenues of such companies attributable to their Chinese medicines distribution business as prepared in accordance with PRC GAAP were approximately RMB196 million, RMB307 million and RMB337 million, representing approximately 0.8%, 1.0% and 0.9% of our total audited revenues for the corresponding periods.

Rationale for non-inclusion

Our core business is the distribution of Western medicines in the PRC, not Chinese medicines. The distribution of Chinese medicines by Traditional & Herbal Medicine Company and certain of its subsidiaries accounted for only approximately 0.9% of our total audited revenue for the year ended 31 December 2008.

The Directors consider that there is no material competition between the Chinese medicines distribution businesses engaged by Traditional & Herbal Medicine Company and certain of its subsidiaries, and the Western medicines distribution business engaged by us, since:

(1) although some common diseases, such as flu, are treated by both Western medicines and Chinese medicines, the philosophy behind the treatments of Western medicines and Chinese medicines differ from each other. Western medicines tend to approach diseases on the philosophy that diseases are caused by external forces, such as viruses or bacteria, while Chinese medicines focus more on re-balancing the body's immune system to cure the disease;

(2) for common diseases that can be treated by both Western medicines and Chinese medicines, the end customers, i.e. patients, may choose either or both types of medicines according to their own preference. However, for medicine distribution businesses, the major direct customers of Western medicines and Chinese medicines differ from each other. The direct customers of our Western medicines distribution business are mainly Western medicine hospitals and Western medicine pharmacies of other hospitals, while the direct customers of the Chinese medicines distribution business engaged by Traditional & Herbal Medicine Company and certain of its subsidiaries are mainly Chinese medicine hospitals and Chinese medicine pharmacies of the other hospitals;

(3) the nature of Western medicines and Chinese medicines is different. The ingredients of Western medicines are mainly processed or extracted from chemicals, biological fungi, bacteria and other microorganisms, while Chinese

medicines are mainly extracted from plants or herbal substances. As such, the major suppliers, and the products distributed by Traditional & Herbal Medicine Company and certain of its subsidiaries, and our Western medicines distribution business are different.

As such, the Directors consider that it is neither necessary nor appropriate to include such non-core businesses carried on by Traditional & Herbal Medicine Company and certain of its subsidiaries into our Company.

The Controlling Shareholder did not include Traditional & Herbal Medicine Company and certain of its subsidiaries in our Company because the distribution of Chinese medicines is not our Core Business and the Controlling Shareholder only engages in a limited Chinese medicines distribution business. Furthermore, the Controlling Shareholder has decided to cease the Chinese medicines distribution business carried on by Traditional & Herbal Medicine Company and certain of its subsidiaries within two years after [●].

Delineation of business

Since distribution of Chinese medicines is not our Core Business, the Directors consider that there is no material competition between Traditional & Herbal Medicine Company and certain of its subsidiaries and our Company.

(iii) Western Medicines Production Business

Description of business

Certain of the subsidiaries and associated companies of Industry Company principally engage in the production of Western medicines in the PRC. Such companies sell the Western medicines they produce through the Excluded Companies which engage in Western medicines distribution business or our Company or other distributors. For the years ended 31 December 2006, 2007 and 2008, the unaudited consolidated revenues of Industry Company attributable to its sale of self-produced Western medicines business as prepared in accordance with PRC GAAP were approximately RMB323 million, RMB361 million and RMB397 million respectively, representing approximately 1.4%, 1.2% and 1.0% of our total audited revenues for the corresponding periods.

Rationale for non-inclusion

Our core business is the distribution of Western medicines in the PRC, not the production of Western medicines. The unaudited consolidated revenue of Industry Company attributable to its sale of self-produced Western medicines business as prepared in accordance with PRC GAAP accounted for only approximately 1.0% of our total audited revenue for the year ended 31 December 2008.

The Directors consider that there is no material competition between the Western medicines production business engaged in by certain of the subsidiaries and associated companies of Industry Company and our Western medicines production business, since (i) there is product delineation between the Western medicines produced by us and by such companies. The Western medicines produced by us are mainly antibiotics, respiratory related medicines and cardiovascular medicines, while those produced by such companies are mainly medicines in other treatment areas and anesthetics; and (ii) the ultimate customers of our Western medicines production business and those of such companies are different, since the nature and treatment of their respective medicines are different.

Since production of Western medicines is not our Core Business, the Directors consider that it is neither necessary nor appropriate to include such companies in our Company.

The Controlling Shareholder did not and has no intention to include such companies in our Company because (i) the production of Western medicines is not our Core Business; and (ii) such inclusion is inconsistent with the Company's business strategy to focus on the distribution of Western medicines.

Delineation of business

Due to the reasons set out above, the Directors consider that there is no material competition between the Western medicines production business engaged in by such companies and our Western medicines production business.

Even though the Directors consider that there is no material competition between the Excluded Companies which engage in Western medicines distribution business on the one hand, and our Company on the other hand, certain options and rights of first refusal granted by the Controlling Shareholder to our Company in respect of such companies or their businesses, as the case may be, under the Non-Competition Agreement described below can serve to mitigate competition between the Controlling Shareholder and our Company. In order to further protect the interests of the shareholders of the Company, the Controlling Shareholder has also given a non-competition undertaking to the Company under the Non-Competition Agreement. For further details, please refer to the section headed "Competition — Non-Competition Agreement" below.

Our Company is financially and operationally independent from each of the Excluded Companies (other than Xinjiang Company). For details regarding our Company's management independence from the Excluded Companies (other than Xinjiang Company), please refer to the section headed "Independence from the Controlling Shareholder — Management Independence — Excluded Companies" below.

C. XINJIANG GROUP

Xinjiang Company is directly owned as to 80% by the Controlling Shareholder and 20% by the Xinjiang SASAC. It is the intention of the Controlling Shareholder to transfer its entire equity interest in Xinjiang Company to us. Therefore, an option and a right of first refusal have been granted by the Controlling Shareholder to our Company under the Non-Competition Agreement described below.

Our Company is financially independent from the Xianjiang Group. We are also operationally independent from the Xinjiang Group, even though we distribute medicines to certain members of the Xinjiang Group, representing only approximately 0.5% of our total audited revenue for the year ended 31 December 2008. For details regarding our Company's management independence from Xinjiang Company, please refer to the section headed "Independence from the Controlling Shareholder — Management Independence — Excluded Companies" below.

Description of business

The principal businesses of the Xinjiang Group are the distribution and production of medicines, and operation of retail drug stores in Xinjiang. The target customers of the Xinjiang Group are hospitals, wholesalers and retail drug stores located in Xinjiang.

The unaudited revenue of the Xinjiang Group attributable to its Western medicines distribution business, Chinese medicines distribution business, production of medicines business and operation of retail drug stores business as prepared in accordance with PRC GAAP (a) for the year ended 31 December 2006 were approximately RMB1,239 million, RMB310 million, RMB80 million, RMB130 million, respectively, representing approximately 5.2%, 1.3%, 0.3% and 0.5%, respectively, of our total audited revenue for the same period; (b) for the year ended 31 December 2007 were approximately RMB1,505 million, RMB376 million, RMB88 million and RMB151 million, respectively, representing approximately 4.8%, 1.2%, 0.3% and 0.5%, respectively, of our total audited revenue for the said period; and (c) for the year ended 31 December 2008 were approximately RMB2,037 million, RMB509 million, RMB89 million and RMB166 million, respectively, representing approximately 5.3%, 1.3%, 0.2% and 0.4%, respectively, of our total audited revenue for the same period.

Rationale for non-inclusion

The Directors consider that it is neither necessary nor appropriate to include the Xinjiang Group in our Company at this stage for the following reasons:

(1) The Xinjiang Group engages in the distribution and production of medicines, and operation of retail drug stores in Xinjiang only. However, we do not engage in any distribution or production of medicines, or operation of retail drug stores in Xinjiang and do not serve the same customers of the Xinjiang Group. Therefore, no competition exists between the Xinjiang Group and our Company. In fact, our Company distributes medicines to certain members of the Xinjiang Group, i.e. they are our customers. For the years ended 31 December 2006, 2007 and 2008, such sales amounted to approximately RMB104 million, RMB135 million and RMB185 million, respectively, representing only approximately 0.4%, 0.4% and 0.5%, respectively, of our total audited revenue for the same periods.

(2) Although it is the intention of the Controlling Shareholder to include the Xinjiang Group in our Company, it is impossible for it to do so before [●], due to the following legal hindrances:

- 28 subsidiaries of Xinjiang Company are enterprises owned by the whole people. Under the relevant PRC laws, it is not proper to include an enterprise owned by the whole people in a listed joint stock company. Therefore, these 28 subsidiaries of Xinjiang Company must be converted into limited liability companies before they can be included in our Company. The procedures required for the conversion are complicated and time-consuming.

- Certain properties of a few subsidiaries of Xinjiang Company have defective titles.

It is expected that the above legal hindrances can be cleared within two years after [●].

D. NON-COMPETITION AGREEMENT

Pursuant to the Non-Competition Agreement, the Controlling Shareholder has undertaken to the Company (for itself and for the benefit of other members of our Company) that during the term of the Non-Competition Agreement, other than the Excluded Companies which engage in Western medicines distribution business and the Xinjiang Group, the Controlling Shareholder shall not, and shall procure that its subsidiaries (other than our Company) shall not, directly or indirectly, whether on its own or jointly with another person or company, own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes or may compete with our Core Business, subject to the following exceptions:

(i) the holding of or interests in shares or other securities in any company which conducts or is engaged in any Core Business, provided that, (x) in the case of such shares, they are listed on a stock exchange; (y) the total number of shares held by the Controlling Shareholder and its Associates do not amount to more than 10% of the issued shares of the company in question; and (z) the Controlling Shareholder and its associates do not control the board of directors of such company and there is another shareholder holding more shares in such company; and

(ii) taking up any Business Opportunity (as defined below) in the circumstances as described in the following paragraph (a).

The Controlling Shareholder has also undertaken in the Non-Competition Agreement that during the term of the Non-Competition Agreement if the Controlling Shareholder or any of its subsidiaries (other than our Company) becomes aware of any business opportunity to own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes with the Core Business (the "Business Opportunity"), it or any of its subsidiaries (other than our Company) shall first refer the Business Opportunity to the Company in writing immediately upon becoming aware of it. Any decision on whether to take up the Business Opportunity shall be decided by our independent non-executive Directors. The Controlling Shareholder or any of its subsidiaries (other than our Company) may only take up the Business Opportunity after the Company has issued a written confirmation signed by the independent non-executive Directors confirming that the Company has decided not to take up the Business Opportunity.

The following table summarizes the main terms of the rights, options together with the special conditions imposed on the options granted in relation the Excluded Companies under the Non-Competition Agreement:

Excluded Companies	Right of first refusal	Option	Special conditions imposed on the Option
Industry Company	The Company has a right of first refusal to purchase the Western medicines distribution business carried on by Industry Company	The Company has an option to purchase the Western medicines distribution business carried on by Industry Company	The Option will only become exercisable by the Company if Industry Company fails to cease to engage in the distribution of Western medicines within two years after [●]
Hubei Yibao	Subject to the existing joint venture parties' rights of first refusal, the Company has a right of first refusal to purchase the Controlling Shareholder's or any of its subsidiaries' (other than our Company's) equity interest in Hubei Yibao	The Company has an option to purchase the Controlling Shareholder's or any of its subsidiaries' (other than our Company's) equity interest in Hubei Yibao	Since Hubei Yibao is not wholly-owned by the Controlling Shareholder, the transfer of equity interest in Hubei Yibao will be subject to the existing joint venture parties' rights of first refusal over such equity interest
Tianjin Company	Subject to the existing joint venture parties' rights of first refusal, the Company has a right of first refusal to purchase the Controlling Shareholder's or any of its subsidiaries' (other than our Company's) equity interest in Tianjin Company	The Company has an option to purchase the Controlling Shareholder's or any of its subsidiaries' (other than our Company's) equity interest in Tianjin Company	The Option will only become exercisable by the Company if Industry Company, the Controlling Shareholder's subsidiary and a shareholder of Tianjin Company, fails to dispose of its equity interest in Tianjin Company within two years after [●] Since Tianjin Company is not wholly-owned by the Controlling Shareholder, the transfer of equity interest in Tianjin Company will be subject to the existing joint venture parties' rights of first refusal over such equity interest

Excluded Companies	Right of first refusal	Option	Special conditions imposed on the Option
Trading Company	The Company has a right of first refusal to purchase the Western medicines distribution business carried on by Trading Company	The Company has an option to purchase the Western medicines distribution business carried on by Trading Company	The Option will only become exercisable by the Company if Trading Company fails to cease to engage in the distribution of Western medicines within two years after [●]
South Trade	Subject to the existing joint venture parties' rights of first refusal, the Company has a right of first refusal to purchase the Western medicines distribution business carried on by South Trade	The Company has an option to purchase the Western medicines distribution business carried on by South Trade	The Option will only become exercisable by the Company if South Trade fails to cease to engage in the distribution of Western medicines within two years after [●] The transfer will be subject to the existing joint venture parties' approval of such transfer
Guangdong Dong Fang	The Company has a right of first refusal to purchase the Controlling Shareholder's or any of its subsidiaries' (other than our Company's) equity interest in Guangdong Dong Fang	The Company has an option to purchase the Controlling Shareholder's or any of its subsidiaries' (other than our Company's) equity interest in Guangdong Dong Fang	The Option will only become exercisable by the Company if Guangdong Dong Fang fails to cease to engage in the distribution of Western medicines within two years after [●]
Excluded Companies which engage in the Chinese medicines distribution business(1)	N/A	N/A	N/A
Excluded Companies which engage in the Western medicines production business	N/A	N/A	N/A

(1) The Controlling Shareholder has decided to cease such Chinese medicines distribution business within two years after [●].

Excluded Companies	Right of first refusal	Option	Special conditions imposed on the Option
Xinjiang Company	Subject to the existing joint venture parties' rights of first refusal, the Company has a right of first refusal to purchase the Controlling Shareholder's or any of its subsidiaries' (other than our Company's) equity interest in Xinjiang Company	The Company has an option to purchase the Controlling Shareholder's or any of its subsidiaries' (other than our Company's) equity interest in Xinjiang Company	The Option will only become exercisable by the Company if all the legal hindrances mentioned in the section headed "Relationship with the Controlling Shareholder and Directors — Competition — Xinjiang Group — Rationale for non-inclusion" above are cleared Since Xinjiang Company is not wholly-owned by the Controlling Shareholder, the transfer of equity interest in Xinjiang Company will be subject to the existing joint venture parties' rights of first refusal over such equity interest

The purchase price under the options granted to the Company under the Non-Competition Agreement shall be the fair value to be determined by the independent valuer to be jointly appointed by the Company and the Controlling Shareholder.

The Controlling Shareholder anticipates that it will take approximately two years after [●] to either cease or dispose of the existing Western medicines distribution business of or equity interest in each of Industry Company, Tianjin Company, Trading Company, South Trade and Guangdong Dong Fang (as the case may be), since such companies need to (i) complete their obligations under the existing contracts with suppliers, customers and/or others; (ii) deal with the assets of such businesses; and (iii) make arrangements for the relevant employees of such businesses (such as transferring the employees to other group companies, providing re-training to the employees and applying for the relevant Governmental approvals), in order to implement such cessation or disposal.

The Controlling Shareholder has not granted the Company any rights of first refusal or options, to purchase the equity interests in those Excluded Companies which engage in Chinese medicines distribution business or Western medicines production business, since these companies do not engage in the Core Business. Furthermore, the Controlling Shareholder has decided to cease the Chinese medicines distribution business within two years after [●].

The independent non-executive Directors should review, at least on an annual basis, the compliance by the Controlling Shareholder with the Non-Competition Agreement. The Controlling Shareholder further undertakes with the Company that it will provide all information necessary for the annual review to be conducted by the independent non-executive Directors and the enforcement of the Non-Competition Agreement.

The Company shall disclose the review by the independent non-executive Directors relating to the compliance and enforcement of the Non-Competition Agreement either through the annual report or by way of an announcement to the public. The Controlling Shareholder shall make an annual declaration on its compliance with the terms of the Non-Competition Agreement in the annual report of the Company and such disclosure shall be consistent with the principles of making voluntary disclosures in the "Corporate Governance Report".

The Non-Competition Agreement shall continue to be effective while the H Shares are listed on the Hong Kong Stock Exchange and while the Controlling Shareholder is the Company's controlling shareholder (as defined under the Hong Kong Listing Rules).

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER

Having considered the following factors, the Directors are of the view that the Company is capable of carrying on its business independently from the Controlling Shareholder.

A. MANAGEMENT INDEPENDENCE

1. The Company

The Board is comprised of two executive Directors, seven non-executive Directors and four independent non-executive Directors. The senior management of the Company consists of nine members, including our two executive Directors. All members of senior management are full-time employees of the Company. The daily operational decisions of the Company are made by such team of senior management, led by Fu Mingzhong, an executive Director and the General Manager of the Company.

2. Controlling Shareholder

The board of directors of the Controlling Shareholder is comprised of Song Zhiping, She Lulin, Liu Cunzhou, Jiang Longsheng, Chen Wenhao, Wen Keqin, Lin Jian and Sun Limin.

Three out of the 13 Directors hold directorships or management positions in the Controlling Shareholder.

The following table sets forth the directorships and management positions in the Controlling Shareholder held by those three Directors as of the Latest Practicable Date:

Name	Position(s) held with the Company	Position(s) held with the Controlling Shareholder
She Lulin	Non-executive Director and Chairman	Executive Director and General Manager
Deng Jindong	Non-executive Director	Chief Accountant
Lian Wanyong	Non-executive Director	Head of the investment management department

Notwithstanding the fact that three Directors are directors and/or members of management of the Controlling Shareholder, the Directors are of the view that the Company is managed independently of the Controlling Shareholder for the following reasons:

- There are only two executive Directors in the Company. The daily operational decisions of the Company are made by our senior management team as a collective body, under the leadership of our General Manager, who is an executive Director. Wei Yulin, who is the other executive Director, has never been a director or a member of senior management of the Parent Group, other than Xinjiang Company during the period from March 2009 to August 2009.

- She Lulin, Deng Jindong and Lian Wanyong have management positions with the Controlling Shareholder, but they are non-executive Directors, who are not involved in the day-to-day operation and management of the Company. They have devoted substantially all of their time to the daily operations and management of the Controlling Shareholder and shall continue to do so.

- Other than the three Directors mentioned above, all the other Directors and members of senior management of the Company do not concurrently hold directorships and/or senior management positions in the Controlling Shareholder.

3. Subsidiaries of the Controlling Shareholder

(i) The following table sets forth the directorships and senior management positions in the Excluded Companies held by the Directors and members of senior management of the Company as of the Latest Practicable Date:

Name	Position(s) held with the Company	Position(s) held with the relevant Excluded Companies
She Lulin	Non-executive Director and Chairman	Non-executive Director and the Chairman of Trading Company
Deng Jindong	Non-executive Director	Non-executive Director of Trading Company, Traditional & Herbal Medicine Company and Xinjiang Company
Lian Wanyong	Non-executive Director	Non-executive Director of Industry Company and Xinjiang Company

Notwithstanding the fact that the above Directors and Deputy General Managers are directors of certain Excluded Companies, the Directors are of the view that the Company is managed independently of the Excluded Companies for the following reasons:

- She Lulin, Deng Jindong and Lian Wanyong are non-executive Directors, who are not involved in the day-to-day operation and management of the Company.

- Deng Jindong and Lian Wanyong have since March 2009 been non-executive directors of Xinjiang Company and part of their role in Xinjiang Company is to monitor the clearance of the legal hindrances discussed in the section headed "Competition — Xinjiang Group — Rationale for non-inclusion" above. Although legal advisers are involved in handling the legal hindrances of the Xinjiang Group, their main role is to identify legal issues and prepare relevant legal documentation. Many decisions regarding what steps should be taken to clear the legal hindrances and the monitoring of the implementation of such steps need to be done by the directors of Xinjiang Company, after taking into account all business, financial, tax and legal factors. As such, each of Deng Jindong and Lian Wanyong will, by virtue of their respective financial and asset management expertise, be able to identify and solve the practical issues arising from the legal hindrances. They can definitely assist in making the relevant business decisions and monitoring the implementation of relevant steps to clear such legal hindrances.

Furthermore, they are not involved in the day-to-day operation and management of Xinjiang Company.

(ii) She Lulin, Fu Mingzhong, Wang Qunbin, Deng Jindong and Fan Banghan are directors and/or legal representative of Sinopharm Investment. For further details, please refer to the section headed "Positions and Roles of the Directors and Members of Senior Management of the Company in the Parent Group, Fosun Company and/or the Fosun Group" below. Since Sinopharm Investment is only an investment holding company which does not carry on any business, the Directors are of the view that the Company is still managed independent of the Controlling Shareholder notwithstanding these Directors' positions in Sinopharm Investment.

(iii) Other than the six individuals mentioned in (i) and (ii) above, all the other Directors and members of senior management of the Company do not concurrently hold directorships and/or senior management positions in any of the subsidiaries of the Controlling Shareholder.

4. Time Allocation and Source of Remuneration

The time to be allocated by the following Directors between our Company and the Parent Group and the source of remuneration payable to the relevant Director are as follows:-

Name of Director (source of remuneration)	Time to be allocated by the relevant Director to the Company after [●]	Time to be allocated by the relevant Director to the Parent Group after [●]
She Lulin (the Parent Group)	10%	90%
Deng Jindong (the Parent Group)	10%	90%
Lian Wanyong (the Parent Group)	5%	95%

In light of the above, the Directors are of the view that the Directors and senior management of the Company are independent from those of the Controlling Shareholder and the Excluded Companies.

B. OPERATIONAL INDEPENDENCE

Our Company makes business decisions independently. Our Company holds all relevant licenses necessary to carry on its businesses and has sufficient capital, equipment and employees to operate its businesses independently.

On the basis of the following reasons, the Directors consider that our Company will continue to be operationally independent from the Controlling Shareholder:

(1) Our operational decisions are made by our senior management, led by Fu Mingzhong, an executive Director and the General Manager of the Company.

(2) We have established our own operational structure made up of separate departments, each with a specific area of responsibility. We have also established a set of internal control procedures to facilitate the effective operation of our business. We operate independently through our own distribution, sales and marketing network.

(3) Our Company has during the three years ended 31 December 2008 entered into various transactions with the Parent Group, which our Company expects to continue

after [●]. Since the transactions, namely, (a) the sale of pharmaceutical products, healthcare products and medical supplies to the Parent Group and the sale of chemical reagent and laboratory supplies to the Parent Group, represent only approximately 1.13%, 0.92% and 0.99% respectively, of our total audited revenue for the three years ended 31 December 2008, and (b) the purchase of pharmaceutical products, healthcare products and medical supplies from the Parent Group represents only approximately 3.04%, 2.46% and 2.25% respectively of our Company's cost of sales for the three years ended 31 December 2008, such transactions do not constitute a material part of our operations. Also, there are alternative independent suppliers (which provide the same goods with similar quality, price and terms), customers and production facilities in the market which are readily available, if required in the future, to our Company. Our Company has independence of access to such suppliers, customers and production facilities and does not rely on the Controlling Shareholder for its customers, suppliers and production facilities.

(4) Under the Trademark License Agreement, the Controlling Shareholder has granted to the Company a non-exclusive license to use certain trademarks. The initial term of the Trademark License Agreement shall expire on 31 December 2011. So long as CNPGC remains as the Controlling Shareholder and its interest in such trademarks exists and continues, the term of the Trademark License Agreement shall automatically extend for further periods of three years. Please refer to the section headed “Connected Transactions” in this document for more details. Regarding the Trademark License Agreement, the Directors are of the view that our Company's operational independence is not affected for the following reasons:

(a) No consideration is payable by the Company to the Controlling Shareholder under the Trademark License Agreement.

(b) Similar to other H share companies, the Controlling Shareholder of the Company is a large conglomerate, which has companies (other than our Company) engaging in other businesses. In relation to those registered trademarks owned by the Controlling Shareholder and used and to be used by our Company, which are also currently used and will continue to be used by those other companies within the Parent Group, the Controlling Shareholder is only able to grant a non-exclusive license to our Company.

C. FINANCIAL INDEPENDENCE

Having considered the following factors, the Directors consider that our Company will be financially independent from the Controlling Shareholder upon [●]:

(1) Pursuant to the Measures of the State for the Financial Administration of Medical Reserve Funds (國家醫藥儲備資金財務管理辦法) promulgated by the Ministry of Finance on 13 November 1997, central medical reserve funds (中央醫藥儲備資金) are allocated by the PRC Central Government to designated enterprises in order for them to purchase medical products (including medicines) required to respond to major disasters, epidemics and other emergencies. A designated enterprise must maintain an inventory of medical products worth at least 70% of such allocated fund. Such inventory forms part of the separated and special inventory of our Company. The PRC Central Government will bear the cost of stock loss or obsolete stock and all other

related costs in connection with the management and operation of such allocated funds.

The Controlling Shareholder is a designated state-owned enterprise directly under the PRC Central Government which has been granted central medical reserve funds by the PRC Central Government. It has re-allocated the funds in relation to medicines to our Company. There is no minimum funding threshold imposed upon the central medical reserve funds re-allocated to our Company by the Controlling Shareholder. As of 31 December 2008 and 31 May 2009, such central medical reserve funds received by our Company were in the amount of approximately RMB208 million. Any interest generated from the medical reserve funds are for the account of our Company. Our Company is not required to transfer such interest to the Controlling Shareholder.

Under a responsibility letter dated 4 January 2006 entered into between the Company and the Controlling Shareholder, we are responsible for (i) strictly implementing the central medical reserve plan and not changing the types and quantities of medical products purchased and kept without prior permission; (ii) making timely allocations of such medical products in accordance with CNPGC’s instructions, which are received from the relevant PRC Government department; (iii) ensuring the quality of such medical products; (iv) ensuring the security of the central medical reserve funds; (v) returning the medical reserve funds to CNPGC unconditionally upon revocation of the Company’s duties; (vi) establishing various kinds of rules, policies and measures to manage the central medical reserve funds; (vii) submitting various kinds of reports to CNPGC in relation to the use of the medical funds and medical products. Other than being responsible for these matters, the Company does not have any additional costs, benefits, obligations and liabilities after re-allocation and payment of the medical reserve funds to it by CNPGC.

Such central medical reserve funds received from the PRC Central Government via the Controlling Shareholder do not constitute financial assistance from the Controlling Shareholder due to the following reasons:

(a) Pursuant to the above measures, it is a legal requirement for the Controlling Shareholder to maintain the central medical reserve funds. Our Company has to perform this legal obligation on behalf of the Controlling Shareholder, since we are the main group of companies held by the Controlling Shareholder principally engaged in the distribution of medicines.

(b) As a matter of accounting treatment, the central medical reserve funds are recorded as non-current liabilities of our Company on our balance sheets. However, neither our Company nor the Controlling Shareholder has any right under the above measures to repay such funds to the PRC Central Government without its prior consent.

(c) As a matter of fact, our Company does not require such central medical reserve funds to finance our business operations.

(2) Save as disclosed above, all non-trade balances between the Controlling Shareholder and our Company have been settled and the Company has no borrowings, which are secured by guarantees or assets provided by the Controlling Shareholder.

CORPORATE GOVERNANCE MEASURES

Our Company will continue to enter into connected transactions with the Controlling Shareholder and its Associates. The Controlling Shareholder has also undertaken to the Company under the Non-Competition Agreement that it shall not and shall procure that its subsidiaries (other than our Company) shall not own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes or may compete with our Core Business. In order to further avoid potential conflicts of interests between our Company and the Controlling Shareholder, the Company has implemented the following measures:

A. The Company has amended its Articles of Association to comply with the Hong Kong Listing Rules. In particular, the Articles of Association provide that, except for certain exceptions permitted under the Hong Kong Listing Rules or the Hong Kong Stock Exchange, a Director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her Associates has a material interest, nor shall such Director be counted in the quorum present at the meeting. Furthermore, a Director who holds directorship and/or senior management positions in (a) the Controlling Shareholder or any of its subsidiaries (other than any member of our Company); or (b) Fosun Company or any of its subsidiaries, shall not vote on any board resolution regarding any transaction proposed to be entered into between any member of our Company and (i) the Controlling Shareholder or any of its subsidiaries (other than any member of our Company); or (ii) Fosun Company or any of its subsidiaries, nor shall such Director be counted in the quorum present at such meeting.

B. The Company has appointed CICC as its compliance adviser, which will provide advice and guidance to the Company in respect of compliance with the applicable laws and the Hong Kong Listing Rules, including but not limited to various requirements relating to directors' duties and internal controls.

C. Any decision to take up or not to take up any Business Opportunity and any decision to exercise or not to exercise any option or right of first refusal granted to the Company under the Non-Competition Agreement with respect to any of the equity interests in Hubei Yibao, Tianjin Company, Guangdong Dong Fang and Xinjiang Company and the Western medicines distribution businesses carried on by Industry Company, Trading Company and South Trade (the "Business Interests"), shall be made by the independent non-executive Directors of the Company. The executive Directors and non-executive Directors are not allowed to attend any of the Company's Board meetings or independent board committee meetings at which matters relating to the Non-Competition Agreement (including but not limited to whether to exercise any option or right of first refusal granted or whether to take up any Business Opportunity) are under consideration.

D. When considering whether to take up any Business Opportunity pursuant to the Non-Competition Agreement, the independent non-executive Directors will take into consideration the following factors:

- whether we have already established a business presence in the relevant location;
- whether the relevant business or company has a good and broad client base;
- whether the relevant Business Opportunity is expected to present a sustainable level of profitability;

- whether the relevant Business Opportunity accords with the then current development strategy of our Company; and
- whether the relevant Business Opportunity in other respects would be in the best interests of the Company's shareholders as a whole.

E. When considering the exercise or non-exercise of any option or right of first refusal granted under the Non-Competition Agreement with respect to any of the Business Interests, the independent non-executive Directors will take into consideration the following factors:

- if required, whether consents from the joint venture partners regarding the transfer of the relevant Business Interests can be obtained;
- whether we have already established a business presence in the relevant location;
- whether the relevant business or company has a good and broad client base;
- whether the relevant Business Interests accord with the then current development strategy of our Company; and
- whether the relevant Business Interests have reached sufficiently strong operations so that it would be in the interest of the Company's shareholders as a whole to exercise the relevant option or right of first refusal.

F. As long as the Controlling Shareholder holds any direct or indirect (excluding indirect interest held through our Company) interest in the Business Interests, at the end of each half year period after [●], meetings between the Controlling Shareholder (and/or its representatives in such companies) and the Company shall be convened, during which the Company shall be advised of all the latest information relating to the Business Interests. Based on the latest information relating to the Business Interests obtained from such meetings, and the Company's management's understanding of the market, proposals as to whether to exercise the relevant option or right of first refusal and other information relating to the Non-Competition Agreement will be presented by the Company to the independent non-executive Directors for their consideration. The independent non-executive Directors will hold an independent board committee meeting to consider such proposal and to decide whether to exercise the relevant option or right of first refusal. At such meeting, the independent non-executive Directors will also consider whether the covenants contained in the Non-Competition Agreement have been complied with and what, if any, remedial actions (including but not limited to legal actions) should be taken. After each such meeting, the Company shall make an announcement to confirm whether the independent non-executive Directors have decided to exercise or not to exercise the relevant option or right of first refusal.

G. The independent non-executive Directors have the right, where necessary and at our cost, to engage an independent financial adviser to advise them on matters relating to the Non-Competition Agreement (including as to whether or not to exercise any option or right of first refusal and the terms on which such option or right of first refusal should be exercised) or on any Business Opportunity which may be referred to the Company by the Controlling Shareholder or any of its subsidiaries.

H. The transfer, exercise or non-exercise of any option or right of first refusal pursuant to the Non-Competition Agreement would constitute a connected transaction pursuant to the Hong Kong Listing Rules. The Company shall comply with all the applicable disclosure, reporting and/or independent shareholders' approval requirements under the Hong Kong Listing Rules in relation to such connected transactions, including obtaining independent shareholder approval where relevant. The Company will also announce any decision to exercise or not to exercise any option or right of first refusal.

I. The independent non-executive Directors will at the end of each calendar year review all the decisions made in every half year period of the year, if applicable, in relation to whether to exercise any option or right of first refusal pursuant to the Non-Competition Agreement and whether to take any Business Opportunity which is referred to the Company by the Controlling Shareholder or any of its subsidiaries (other than our Company), and also disclose such decisions and the rationale for them in the annual report of the Company.

The Company believes that three out of the four current independent non-executive Directors have sufficient experience and knowledge to exercise independent judgment of our Company's business. The three independent non-executive Directors are experts in the fields of management, law and accounting, respectively. Two of them joined the Company as independent non-executive Directors since its incorporation in January 2003, while the third has served as the Company's independent non-executive Director for almost two years. Over the years, the three independent non-executive Directors have, by attending board meetings and otherwise, gained and accumulated sufficient knowledge and familiarized themselves well with the operation and business of the Company. As such, the Company believes that the Board can function properly even in the worst case scenario that all conflicting Directors abstain from the Board meetings.

II. RELATIONSHIP WITH THE DIRECTORS

BACKGROUND

Guo Guangchang, a non-executive Director, is a substantial shareholder of each of the Fosun Distribution Companies, certain of the Fosun Retail Companies and certain of the Fosun Production Companies. Guo Guangchang is also a non-executive director of one of the Fosun Retail Companies. Fosun Company and Fosun Pharma are Associates of Guo Guangchang and hence they are Connected Persons of the Company.

Wang Qunbin, a non-executive Director, is a non-executive director of one of the Fosun Distribution Companies and two of the Fosun Production Companies.

Fan Banghan, a non-executive Director, is a non-executive director of each of the Fosun Distribution Companies and certain of the Fosun Retail Companies.

Liu Hailiang, a non-executive Director, is the chief supervisor of Fosun Pharma.

Certain of the Fosun Distribution Companies, the Fosun Production Companies and the Fosun Retail Companies are wholly-owned or controlled by Fosun Pharma.

COMPETITION

Set out below is a summary of the facts and circumstances regarding the Fosun Distribution Companies, the Fosun Production Companies and the Fosun Retail Companies:

(i) Fosun Distribution Companies

Description of business

The Fosun Distribution Companies principally engage in the distribution of medicines in the PRC.

For the year ended 31 December 2008, the aggregate revenue of the Fosun Distribution Companies attributable to their medicines distribution business was approximately RMB1,289 million, representing only approximately 3.4% of our total audited revenue for the same period. Given the insignificant size of the Fosun Distribution Companies' total revenue generated from the distribution of medicines and the fact that such total revenue covered not only Western medicines but also Chinese medicines, the Directors believe that there is no material competition between the Fosun Distribution Companies and us.

Independence

Our Company is financially independent from the Fosun Distribution Companies. We are also operationally independent from the Fosun Distribution Companies, even though the sale/purchase of pharmaceutical products, healthcare products and medical supplies to/from all of the Fosun Distribution Companies represent only approximately 0.1% of our total audited revenue for the year ended 31 December 2008.

As mentioned above, Wang Qunbin, who is a non-executive Director, is a director of one of the Fosun Distribution Companies. Fan Banghan, who is a non-executive Director, is a director of each of the Fosun Distribution Companies. Other than these two non-executive Directors, who are not involved in the day-to-day operations and management of the Company, all the other Directors and members of senior management of the Company do not concurrently hold any director and/or senior management positions in any of the Fosun Distribution Companies. In light of the above, the Directors are of the view that the Directors and senior management of the Company are independent from those of the Fosun Distribution Companies.

(ii) Fosun Production Companies

Description of business

The Fosun Production Companies principally engage in the production of medicines in the PRC. The medicines produced by the Fosun Production Companies are mainly for the treatment of malaria, hepatic diseases, diabetes and gynaecological diseases, which are different and easily distinguishable from those produced by our Company, i.e. therapeutic products such as anti-infectious, respiratory, cardiovascular and gastrointestinal medicines. There is no overlap between our products and those of the Fosun Production Companies.

Our core business is the distribution of Western medicines in the PRC, not production of medicines. In addition, we only produce Western medicines and the production of Western medicines by our Company accounted for only approximately 2.4% of our total audited revenue for the year ended 31 December 2008. Furthermore, because, as discussed above, there is a clear delineation between the medicines produced by our Company and those produced by the Fosun Production Companies, the Directors believe that there is no competition between the Fosun Production Companies and us.

Independence

Our Company is financially independent from the Fosun Production Companies. We are also operationally independent from the Fosun Production Companies, even though the sale/purchase of pharmaceutical products, healthcare products and medical supplies to/from and the sale of chemical reagent and laboratory supplies to, certain of the Fosun Production Companies represent only approximately 0.2% of our total audited revenue for the year ended 31 December 2008.

As mentioned above, Wang Qunbin, who is a non-executive Director, is a director of two of the Fosun Production Companies. Other than this non-executive Director, who is not involved in the day-to-day operations and management of the Company, all the other Directors and members of senior management of the Company do not concurrently hold any director and/or senior management positions in any of the Fosun Production Companies. In light of the above, the Directors are of the view that the Directors and senior management of the Company are independent from those of the Fosun Production Companies.

(iii) Fosun Retail Companies

Description of business

The Fosun Retail Companies only engage in the operation of retail drug stores in the PRC.

Our core business is the distribution of Western medicines in the PRC, not operation of retail drug stores. In addition, the operation of retail drug stores by the Fosun Retail Companies accounted for only approximately 2.2% of our total audited revenue for the year ended 31 December 2008. Since operation of retail drug stores is not our Core Business, the Directors believe that there is no material competition between the Fosun Retail Companies and us.

Independence

Our Company is financially independent from the Fosun Retail Companies. We are also operationally independent from the Fosun Retail Companies, even though the sale/purchase of pharmaceutical products, healthcare products and medical supplies to/from two of the Fosun Retail Companies represent only approximately 0.3% of our total audited revenue for the year ended 31 December 2008.

As mentioned above, Guo Guangchang, who is a non-executive Director, is a director of one of the Fosun Retail Companies. Fan Banghan, who is a non-executive Director, is a director of certain of the Fosun Retail Companies. Other than these two non-executive Directors, who are not involved in the day-to-day operations and management of the Company, all the other Directors and members of senior management of the Company do not concurrently hold any director and/or senior management positions in any of the Fosun Retail Companies. In light of the above, the Directors are of the view that the Directors and senior management of the Company are independent from those of the Fosun Retail Companies.

TIME ALLOCATION AND SOURCE OF REMUNERATION

The time to be allocated by the following Directors between our Company and Fosun Company and its subsidiaries or the Fosun Group and the source of remuneration payable to the relevant Director after [●] are as follows:-

Name of Director (source of remuneration)	Time to be allocated by the relevant Director to the Company after [●]	Time to be allocated by the relevant Director to Fosun Company and its subsidiaries or the Fosun Group after [●]
Guo Guangchang (Fosun Company and its subsidiaries)	5%	95%
Wang Qunbin (Fosun Company and its subsidiary)	5%	95%
Fan Banghan (the Fosun Group)	10%	90%
Liu Hailiang (the Fosun Group)	5%	95%

Although Guo Guangchang, Wang Qunbin, Fan Bangban and Liu Hailiang have executive positions with Fosun Company and/or the Fosun Group as set out in the section headed "Positions and Roles of the Directors and Members of Senior Management of the Company in the Parent Group, Fosun Company and/or the Fosun Group" below, they are non-executive Directors, who are not involved in the day-to-day operation and management of the Company. They have devoted substantially all of their time to the daily operations and management of Fosun Company or the Fosun Group and shall continue to do so after [●]. As such, the Directors are of the view that the Company is managed independently of Fosun Company and the Fosun Group.

POSITIONS AND ROLES OF THE DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT OF THE COMPANY IN THE PARENT GROUP, FOSUN COMPANY AND/OR THE FOSUN GROUP

	Positions and Roles in the Parent Group		Positions and Roles in Fosun Company or the Fosun Group	
Positions in the Company	**Companies and Positions**	**Roles**	**Companies and Positions**	**Roles**
She Lulin				
Non-executive Director and Chairman of the Company	Executive director and general manager of CNPGC	overseas day-to-day management of the company’s operations and formulates business strategies, annual business plan and objectives of the company	Nil	
	Director and legal representative of Sinopharm Investment	organizes and supervises the management of the company’s operations and represents the company to handle all its matters		
	Non-executive Director and Chairman of Trading Company	convenes and presides over board of directors meetings		
Guo Guangchang				
Non-executive Director and vice Chairman of the Company	Nil		Vice chairman of Nanjing Iron & Steel United Co., Ltd., director of Fosun Pharma and non-executive director of Shanghai Forte Land Co., Ltd.	attends board of directors meetings
			Chairman and executive director of Fosun Company, and chairman of Fosun High Technology and Fosun Investment, respectively	convenes and presides over board of directors meetings and overseas day-to-day management of the company’s operations
			Chairman of Shanghai Fosun Industry Technology Development Co., Ltd.	convenes and presides over board of directors meetings and overseas day-to-day management of the company’s operations
Fu Mingzhong				
Executive director and the general manager of the Company	Director of Sinopharm Investment	makes decisions on all the important business decisions of the company		

	Positions and Roles in the Parent Group		Positions and Roles in Fosun Company or the Fosun Group	
Positions in the Company	**Companies and Positions**	**Roles**	**Companies and Positions**	**Roles**
Wang Qunbin				
Non-executive Director of the Company	Director of Sinopharm Investment	attends board of directors meetings	Chairman of Fosun Pharma	convenes and presides over board of directors meetings and overseas day-to-day management of the company's operations
			Executive director and president of Fosun Company and director and president of Fosun High Technology	overseas day-to-day management of the company's operations
			Vice chairman of Jiangsu Xuzhou Wanbang Jinqiao Pharmaceutical Co., Ltd.	attends board of directors meetings
			Director of each of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd., and Shanghai Fosun Pharmaceutical Investment Co., Ltd., respectively	attends board of directors meetings
Deng Jindong				
Non-executive Director of the Company	Chief accountant of CNPGC	assists the general manager in finance, investment and assets management	Nil	
	Director and chief financial officer of Sinopharm Investment	makes decisions on all the important business decisions of the company		
	Director of Xinjiang Company	monitors the clearance of the legal hindrances of the Xinjiang Group		
	Non-executive Director of Trading Company and Traditional & Herbal Medicine Company, respectively	attends board of directors meetings		

	Positions and Roles in the Parent Group		Positions and Roles in Fosun Company or the Fosun Group	
Positions in the Company	**Companies and Positions**	**Roles**	**Companies and Positions**	**Roles**
Fan Banghan				
Non-executive Director of the Company	Director and general manager of Sinopharm Investment	overseas day-to-day management of the company's operations and formulates business strategies and objectives of the company	Deputy general manager of Fosun Pharma	overseas day-to-day management of the company's operations
			Director of each of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd., Fosun Grand Medicine, Shanghai Fosun Pharmaceutical Co., Ltd., Zhejiang Fosun Pharmaceutical Co., Ltd. and Huzhou Fosun Grand Medicine Chain Operating Co., Ltd., respectively	attends board of directors meetings
			Chairman of Shanghai Fosun Pharmaceutical Investment Co., Ltd.	convenes and presides over board of directors meetings and overseas day-to-day management of the company's operations
Liu Hailiang				
Non-executive Director of the Company	Nil		Chief supervisor of Fosun Pharma	convenes and presides over the supervisory committee meetings and supervises the performance of duties by the company's directors and members of senior management
			Supervisor of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd.	supervises the performance of duties by the company's directors and members of senior management
Lian Wanyong				
Non-executive Director of the Company	Head of the investment management department of CNPGC	implements investment plans of the company and supervises the restructuring of the subsidiaries of the company	Nil	
	Director of Xinjiang Company	monitors the clearance of the legal hindrances of the Xinjiang Group		
	Supervisor of Sichuan Antibiotic Institute	supervises the performance of duties by the company's directors and members of senior management		
	Non-executive Director of Industry Company	attends board of directors meetings		

None of Wei Yulin (executive Director and deputy general manager), Wang Fanghua (independent non-executive Director), Tao Wuping (independent non-executive Director), Xie Rong (independent non-executive Director), Zhou Bajun (independent non-executive Director) and all the other members of senior management of the Company, namely Gong Jiashen, Shen Linian, Lu Jun, Wu Aimin, Shi Jinming, Liu Yong, and Song Tingfeng holds any position in the Parent Group, Fosun Company or the Fosun Group.