朗生醫藥控股有限公司

Lansen Pharmaceutical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 503

PLACING AND PUBLIC OFFER

Sole Bookrunner, Sole Lead Manager and Sole Sponsor

Piper Jaffray

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

LANSEN PHARMACEUTICAL HOLDINGS LIMITED

朗生醫藥控股有限公司

(incorporated in the Cayman Islands with limited liability)

PLACING AND PUBLIC OFFER

Number of Offer Shares	**:**	**141,350,000 Shares comprising 100,000,000 new Shares and 41,350,000 Sale Shares (subject to Over-allotment Option)**
Number of Public Offer Shares	**:**	**14,135,000 Shares (subject to reallocation)**
Number of Placing Shares	**:**	**127,215,000 Shares comprising 85,865,000 new Shares and 41,350,000 Sale Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**not more than HK$3.91 per Offer Share, plus brokerage of 1%, a SFC transaction levy of 0.004% and a Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund on final pricing)**
Nominal value	**:**	**USD0.01 per Share**
Stock code	**:**	**503**

Sole Bookrunner, Sole Lead Manager and Sole Sponsor

Piper Jaffray

The Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss 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 paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Hong Kong Companies Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Company (for itself and on behalf of the Selling Shareholders) and the Sole Lead Manager (on behalf of the Underwriters) on or about Friday, 30 April 2010 or such later date as may be agreed by the Company and the Sole Lead Manager but in any event no later than Monday, 3 May 2010 (Hong Kong time). The Offer Price will not be more than HK$3.91 per Offer Share and may be, but is not expected to be less than, HK$2.95 per Offer Share. Applicants for Public Offer Shares are required to pay, on application, the maximum Offer Price of HK$3.91 for each Public Offer Share together with brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK$3.91. The Sole Lead Manager (on behalf of the Underwriters, and with the Company's consent) may reduce the number of Offer Shares being offered under the Share Offer and/or the Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the number of Offer Shares and/or the Offer Price range will be published on the Company's website at ***www.lansen.com.cn*** and the website of the Stock Exchange at ***www.hkexnews.hk*** not later than the morning of the last day for lodging applications under the Public Offer. If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the number of Offer Shares and/or the Offer Price range is so reduced, such applications cannot subsequently be withdrawn. If, for any reason, the Offer Price is not agreed between the Company (for itself and on behalf of the Selling Shareholders) and the Sole Lead Manager (on behalf of the Underwriters) on or before Monday, 3 May 2010 (Hong Kong time), the Share Offer (including the Public Offer) will not proceed subject to the Underwriting Agreements. Pursuant to the force majeure provisions contained in the Underwriting Agreements in respect of the Offer Shares, the Sole Lead Manager, on behalf of the Underwriters, has the right in certain circumstances to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the date when dealings in the Shares are due to commence on the Stock Exchange (such first dealing date is currently expected to be Friday, 7 May 2010). Further details of the terms of the force majeure provisions are set out in the section headed "Underwriting — Grounds for termination" in this prospectus.

27 April 2010

The Company will issue an announcement in Hong Kong to be published on the Company's website at ***www.lansen.com.cn*** and the website of the Stock Exchange at ***www.hkexnews.hk*** if there is any change in the following expected timetable of the Public Offer[1].

Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website ***www.hkeipo.hk***[2]	11:30 a.m. on Friday, 30 April 2010
Application lists of the Public Offer open[3]	11:45 a.m. on Friday, 30 April 2010
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Friday, 30 April 2010
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 30 April 2010
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Friday, 30 April 2010
Application lists of the Public Offer close	12:00 noon on Friday, 30 April 2010
Expected Price Determination Date[5]	Friday, 30 April 2010
(1) Announcement of • the Offer Price; • the level of applications in the Public Offer; • the level of indications of interest in the Placing; and • the results of applications and basis of allocations of the Public Offer Shares to be published on the Company's website at ***www.lansen.com.cn*** and the website of the Stock Exchange at ***www.hkexnews.hk*** on or before	Thursday, 6 May 2010
(2) Results of allocations in the Public Offer (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see paragraph headed "Publication of results" in the section headed "How to apply for the Public Offer Shares") from	Thursday, 6 May 2010
Despatch of refund cheques and **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly or partially successful (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before	Thursday, 6 May 2010
Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before	Thursday, 6 May 2010
Dealings in Shares on the Stock Exchange expected to commence on	Friday, 7 May 2010

Notes:

(1) All times refer to Hong Kong local time. Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed "Structure of the Share Offer" in this prospectus.

*(2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website, **www.hkeipo.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 "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 30 April 2010, the application lists will not open on that day. Further information is set out in the section headed "How to apply for the Public Offer Shares — Effect of bad weather on the opening of the application lists" in this prospectus.

(4) Applicants who apply for the Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to apply for the Public Offer Shares — How to apply by giving electronic application instructions to HKSCC" in this prospectus.

(5) The Price Determination Date is expected to be on or about Friday, 30 April 2010, and in any event no later than Monday, 3 May 2010. If, for any reason, the Offer Price is not agreed on or before Monday, 3 May 2010, the Share Offer will not proceed, subject to the Underwriting Agreements.

(6) Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, 7 May 2010, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination in the Underwriting Agreements have not been exercised by the Sole Lead Manager (on behalf of the Underwriters) in accordance with their terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

(7) Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable on application. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

*Applicants who apply on **WHITE** Application Forms or **HK eIPO White Form** for 1,000,000 Shares or more under the Public Offer and have indicated in their applications that they wish to collect refund cheques (where applicable) and share certificates (where applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 6 May 2010. Identification and (where applicable) authorization documents acceptable to Tricor Investor Services Limited, must be produced at the time of collection.*

*Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Public Offer and have indicated in their Application Forms that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Shares is the same as that for **WHITE** Application Form applicants. Uncollected share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to apply for the Public Offer Shares — Refund of application monies" in this prospectus. For details of the Structure of the Share Offer, including its conditions, please refer to the section headed "Structure of the Share Offer".*

TABLE OF CONTENT

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by the Company, the Selling Shareholders, the Sole Bookrunner, the Sole Sponsor, the Underwriters, any of their respective directors, officers, employees, agents or representatives, or any other person or party involved in the Share Offer.

OVERVIEW

We are a specialty pharmaceutical group principally engaged in the development, production and sale of specialty prescription western pharmaceuticals for the treatment of autoimmune rheumatic diseases in the PRC. According to the BDCL Report, there are various types of pharmaceuticals to treat autoimmune rheumatic diseases, namely anti-inflammatory and analgesic drugs, hormones, DMARDs (a category of drugs focused on slowing the progression of rheumatic diseases as opposed to simply treating inflammation) and biological agents. The sales of anti-inflammatory and analgesic drugs, hormones, DMARDs and biological agents in the PRC in 2008 were approximately RMB2,094 million (equivalent to approximately USD307 million), RMB1,383 million (equivalent to approximately USD203 million), RMB1,017 million (equivalent to approximately USD149 million) and RMB566 million (equivalent to approximately USD83 million) respectively. We have established a leading market share in the sales of DMARDs in the PRC with approximately 22.8% of sales of DMARDs in 2008. Our leading product Pafulin, exclusively manufactured and sold by us and launched in 2002, was ranked No. 1 in terms of sales in the DMARDs market with approximately 15.9% market share in the PRC in 2008. Tuoshu, our second leading product, launched in 2006 under an agency distribution agreement, was ranked No. 4 in terms of sales in the DMARDs market with approximately 6.9% market share in the PRC in 2008, and the sales of Pafulin and Tuoshu together represent approximately 4.7% of the sales of drugs to treat autoimmune rheumatic diseases by hospitals in the PRC in 2008 according to the BDCL Report. We are also engaged in the production and sale of Other Pharmaceuticals in the PRC.

We operate in the large and fast growing rheumatology market in the PRC. The PRC economy growth has outpaced the global economy and development of the PRC pharmaceutical industry is faster than the average level in the world, and it has maintained the rapid growth in recent years. Based on the Statistics Book 2008 of the Ministry of Health, rheumatoid arthritis ranked as the 4th most prevalent chronic disease in the PRC in 2008. According to the BDCL Report, it is estimated that one in six individuals in Asia are suffering from arthritis. Currently, people suffering from arthritis in the PRC amounted to over 100 million, representing approximately 29.2% of the total number in the world. Sales of drugs to treat rheumatic diseases by hospitals amounted to approximately RMB5.1 billion (equivalent to approximately USD747 million) in 2008, representing a year-on-year increase of approximately 19.6% compared to 2007. The number of patients under treatment and doctors specializing in rheumatology has grown with a CAGR of approximately 29.0% and 26.8% respectively from 2002 to 2008. In recent years, growth of therapeutic treatment by DMARDs has outpaced that of the therapeutic treatment by anti-inflammatory and analgesic drugs in treating rheumatic diseases. This growth is fueled by a growing population relying on pharmaceutical treatment, increasing patients access to healthcare insurance and greater spending power.

We sell our products to more than 500 direct customers which comprise distributor customers who then sell them to hospitals, local distributors and retail pharmacies, and other customers throughout China in 2009. With an objective to reach out to appropriate hospitals, doctors and patients in need of high quality leading treatment options for rheumatism in the PRC, as at 31 December 2009, our current sales and distribution network covers over 1,000 hospitals in 25 provinces and four municipal cities which are serviced by

approximately 260 sales representatives of the Group across the PRC. We have obtained GSP certificate in respect of our distribution and marketing operations. The expiry date of the current GSP certificate held by Shenzhen Lansen is 18 January 2014. In addition, we are in the course of moving our distribution and marketing operations in Shenzhen to Ningbo. Our operating subsidiary in Ningbo, Ningbo Lansen, obtained GSP certification on 16 April 2010. We have dedicated brand management, market research and sales support teams to further enhance the effectiveness of these marketing efforts. In addition, we are involved in raising public awareness of rheumatology by educating doctors and patients at medical institutions and hospitals.

Our Core Business currently comprises five rheumatic specialty prescription western pharmaceuticals, of which currently only Pafulin is manufactured and sold by us and four are not manufactured but are sold by us under agency distribution arrangements. During the past three years, the Group recorded strong and rapid growth, which was primarily driven by rheumatic specialty prescription western pharmaceuticals. For the three years ended 31 December 2007, 2008 and 2009, our rheumatic specialty prescription western pharmaceuticals revenue were approximately USD16.3 million, USD26.6 million and USD33.1 million respectively, representing a CAGR of approximately 42.7%, accounting for approximately 67.3%, 71.7% and 69.1% of our total revenue respectively, in which revenue from Pafulin accounted for approximately 39.0%, 37.4% and 38.0% of our total revenue during the same period respectively. During the same period, our gross margins for our rheumatic specialty prescription western pharmaceuticals were approximately 79.9%, 79.3% and 79.3% respectively. We have entered into agency distribution agreements for four rheumatic specialty prescription western pharmaceuticals with our suppliers for a fixed term ranging from two to six years. In addition, in April 2010, we entered into an agency distribution agreement with a local supplier and obtained exclusive distribution right of Mycophenolate Mofetil Capsules in the PRC for the period from 8 April 2010 to 7 October 2013. Mycophenolate Mofetil is related to our Core Business. We have been granted exclusive distribution rights of the relevant products in the PRC or in specified provinces of the PRC. We will normally be given a priority to renew these agreements with our suppliers upon their expiration pursuant to the terms of these agreements. We are required to fulfil an annual minimum purchase order in any given year, failing which the relevant supplier is entitled to revoke the exclusive distribution right granted to us. If we exceed the agreed annual minimum purchase order in any given year, certain discounts on the purchase price will be given to us. Set out below are the principal terms of our agency distribution agreements entered into between us and our suppliers in respect of our Core Business:

Product	Summary of the key terms of our agency distribution agreements	
Tuoshu	Date of agreement:	25 October 2008.
	Term:	The agreement will expire on 31 December 2014.
	Exclusivity:	We have been granted exclusive distribution right of Tuoshu in the PRC.
	Renewal:	The parties shall negotiate the terms for renewal six months prior to the expiry of the agreement and where the new contract terms offered by a third party are the same as those offered by us, we will be given a priority to renew the agreement.
	Minimum purchase order:	During the term of the agreement: 800,000 boxes (10 tablets/box) each year (from 1 January to 31 December).

Product	Summary of the key terms of our agency distribution agreements	
Jinlang	Date of agreement:	31 December 2009.
	Term:	The agreement will expire on 31 December 2011.
	Exclusivity:	We have been granted exclusive distribution right of Jinlang in the PRC.
	Renewal:	The parties shall negotiate the terms for renewal six months prior to the expiry of the agreement and where the new contract terms offered by a third party are the same as those offered by us, we will be given a priority to renew the agreement.
	Minimum purchase order *(Note)*:	Year 2010 (from 1 January to 31 December): 1,200,000 bottles (10 gram per bottle). Year 2011 (from 1 January to 31 December): 1,600,000 bottles (10 gram per bottle).
Yisuojia.	Date of agreement:	13 November 2008, effective from 1 January 2009.
	Term:	The agreement will expire on 31 December 2011.
	Exclusivity:	We have been granted an exclusive distribution right of Yisuojia in Anhui, Henan, Shandong, Fujian and Liaoning provinces in the PRC during the term of such agreement.
	Renewal:	The parties shall negotiate the terms for renewal six months prior to the expiry of the agreement and we are in principle given a priority to renew the agreement with our supplier pursuant to the terms of the agreement. The parties have confirmed it was intended under the agreement that, provided that we have met 80% of the minimum purchase order under the agreement, and where the terms offered by a third party are the same as those offered by us, we will be given a priority to renew the agreement.
	Minimum purchase order:	Year 2009 (from 1 January to 31 December): 440,000 boxes (24 capsules per box). Year 2010 (from 1 January to 31 December): 600,000 boxes (24 capsules per box). Year 2011 (from 1 January to 31 December): 800,000 boxes (24 capsules per box).

Note: The purchase volume of Jinlang for the year 2009 was 372,060 bottles below the minimum purchase order of 1,200,000 bottles of the relevant year. The Group did not receive any notice or request for payment of compensation nor has the supplier exercised the right to revoke the agreement or the distribution right for the shortfall of the minimum purchase order for the year 2009 and the agreement was renewed with our supplier on 31 December 2009. The supplier of Jinlang has issued a confirmation letter that they will not claim against the Group for the under-purchase under the previous agreement.

Product	Summary of the key terms of our agency distribution agreements	
Liupuan.	Date of agreement:	16 February 2009.
	Term:	The agreement will expire on 31 December 2011.
	Exclusivity:	We have been granted an exclusive distribution right of Liupuan in Guangdong province and right of distribution in designated hospitals situated in Beijing, Hubei, Gansu, Hebei, Heilongjiang, Jilin, Shaanxi, Sichuan, Xinjiang, Yunnan, Guizhou, Zhejiang and Jiangsu of the PRC during the term of such agreement.
	Renewal:	We are given a priority to renew the term with our supplier on the basis that the annual minimum purchase order of the prior years and the minimum number of new hospitals in Guangdong which use Liupuan have been met.
	Minimum purchase order *(Note)*:	Year 2009 (from 1 January to 31 December): 340,000 boxes (20 capsules per box). Year 2010 (from 1 January to 31 December): 380,000 boxes (20 capsules per box). Year 2011 (from 1 January to 31 December): 420,000 boxes (20 capsules per box).
Mycophenolate Mofetil Capsules . . .	Date of agreement:	8 April 2010.
	Term:	The agreement will expire on 7 October 2013.
	Exclusivity:	We have been granted exclusive distribution right of Mycophenolate Mofetil Capsules in the PRC.
	Renewal:	Provided that we have met the minimum purchase order under the agreement, the agreement will be renewed for a term of 2 years upon expiration of the existing term of the agreement.
	Minimum purchase order *(Note)*:	From 8 April 2010 to 7 October 2011: 30,000 boxes (40 capsules per box). From 8 October 2011 to 7 October 2012: 60,000 boxes (40 capsules per box). From 8 October 2012 to 7 October 2013 : 110,000 boxes (40 capsules per box).

Note: The purchase volume of Liupuan for the period of 18 months from the date of first delivery under the agreement dated January 2007 was 108,200 boxes below the minimum purchase order of 300,000 boxes of the relevant period. However, given the fact that the supplier did not exercise the right to revoke the distribution right for the shortfall of the minimum purchase order for the relevant period and that the agreement was renewed with our supplier on 16 February 2009, the Company and its PRC legal advisor are of the view that no further action is likely to be taken by the supplier against the Group for the under-purchase under the previous agreement.

Note: Based on our current progress, the product is expected to be launched in the third quarter of 2010.

We currently own and operate two modern manufacturing facilities occupying approximately 64,000 square meters of land with total gross floor area of approximately 19,400 square meters located in Ningbo, PRC. Our operating facilities are GMP certified by the SFDA and adhere to stringent and closely monitored quality assurance and safety control processes. We have three production lines of bulk pharmaceuticals, one modern Chinese medicine extraction line, one solid formulation workshop, one liquid formulation workshop and one cream workshop. The following table sets out GMP certificates for all of our production lines:

GMP certificates for production	Date of Issue	Date of Expiry
Tablets, capsules, granules, mixture, oral solution, syrup (including Chinese medicine extracts), cream, oral solutions and bulk pharmaceuticals (Capsaicin)	16 February 2009	15 February 2014
Bulk pharmaceuticals (Total Glucosides of Peony and Huperzine A, including Chinese medicine extracts)	31 January 2008	30 January 2013
Bulk pharmaceuticals (Total Glucosides of Peony)	15 December 2005	14 December 2010 *(Note)*
Cream	1 November 2005	31 October 2010 *(Note)*
Bulk pharmaceuticals (Capsaicin)	4 January 2005	3 January 2010 *(Note)*
Tablet, capsules, granules, syrup, oral solutions, mixture, oral solutions (including Chinese medicine extracts) and bulk pharmaceuticals (Huperzine A)	14 December 2004	25 February 2009 *(Note)*

Note: The previous GMP certificates in respect of (a) bulk pharmaceuticals (Total Glucosides of White Peony) and bulk pharmaceuticals (Huperzine A) have been consolidated into the new GMP certificate dated 31 January 2008 currently held by the Group; and (b) cream, bulk pharmaceuticals (Capsaicin) and tablets, capsules, granules, syrup, oral solutions, mixture and oral solutions (including Chinese medicine extracts) have been consolidated into the GMP certificate dated 16 February 2009 currently held by the Group.

Our product development is complementary to the core strategic development of the Company focusing on identifying, developing and commercializing products principally in the autoimmune rheumatic therapeutic areas. We employ a market driven approach to select product candidates that are either developed in house or acquired through collaboration with research institutions and universities in the PRC. Our collaboration with academic scientists and clinical researchers enables us to benefit from our research partners' resources, expertise and facilities to develop new commercially viable products in a flexible and cost efficient manner. Except for Loxoprofen Sodium which the Group acquired during the Track Record Period, none of the Group's self-manufactured products were acquired through collaboration with research institutions and universities in the PRC during the Track Record Period. We do not aim to invent revolutionary new products, but look into the doctors' and patients' needs and the market trend, and conduct targeted research with a view to achieve a wide range of product series. Currently, we have seven new products under development and research which are focused in our Core Business.

We have experienced significant growth in our business in recent years. Our revenues increased from approximately USD24.2 million in 2007 to USD37.1 million in 2008 and to USD47.9 million in 2009, representing a CAGR of approximately 40.9%. Our net profit increased from approximately USD0.4 million in 2007 to USD5.1 million in 2008 and to USD7.4 million in 2009. Our increased economies of scale and measures to improve our cost and operating efficiencies have allowed us to improve net margins continuously. In 2007, the Group, after an intensive review of its business, made an one-off provision for

doubtful debts of approximately USD2.5 million which mainly included full provision over an amount of approximately USD1.0 million of accounts receivable for Ningbo Liwah and Shenzhen Lansen that had been carried forward from the period prior to the Group's acquisition in August 2005 as well as provision for doubtful debts for all receivables over one year in age. In 2008, approximately USD0.7 million of the trade receivables were recovered, for which we had previously made provision. If we exclude this provision of approximately USD2.5 million and the recovery of the provision of approximately USD0.7 million, net profit would be approximately USD2.9 million and USD4.4 million for the years ended 31 December 2007 and 2008 respectively. For the three years ended 31 December 2007, 2008 and 2009, the CAGR of net profits would be approximately 59.5%, our net margins would be approximately 12.0%, 11.9% and 15.4% respectively.

Our focus in the future is to increase sales and market share of our core products in rheumatology while continuing on the development of products for the treatment of autoimmune rheumatic diseases, and sustain high growth. It is our intention to focus on the Core Business and to maintain our operation of Other Pharmaceuticals Business, in order to focus resources on the rapidly growing rheumatology market in which we can leverage on our established reputation and brand recognition in line with our development strategies. No further resources will be allocated by the Group to expand the Other Pharmaceuticals Business after Listing. CIP, the investment holding company in pharmaceutical businesses within the CIH Group, is currently not engaged in the Core Business or the Other Pharmaceuticals Business (apart from the Group). Unlike the Group which has established presence and reputable brand recognition and thus focus its resources on the Core Business, CIP is an investment holding company that may invest in pharmaceutical companies in general. CIP has undertaken not to compete in the Core Business, which is the business focus of the Group. CIP may invest in pharmaceutical companies which may compete for the Other Pharmaceuticals Business.

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths are as follows, each of which is discussed in details in the section headed "Business — Our Competitive Strengths" of this prospectus:

— Leader in DMARDs market with reputable brand recognition in the rapid growing rheumatology market

— Dedicated platform to leverage on our extensive sales and distribution network

— Integrated product portfolio of rheumatic specialty prescription western pharmaceuticals

— High quality control standards and expertise in process refinement

— Product development capabilities

— Experienced, committed and stable management team

— Track record of sound financial performance

BUSINESS STRATEGIES

We will focus on the following strategies, each of which is discussed in details in the section headed "Business — Our Business Strategies" of this prospectus:

— Build on our leadership position into the rheumatic market segment

— Expansion of our sales and distribution network coverage

— Continuing development in our focus segment

— Leverage on our established platform into complementary products and therapeutics

— Opportunistic and strategic acquisition of products and/or companies

FINANCIAL INFORMATION

Our revenue is derived from the manufacturing and/or sale of rheumatic specialty prescription western pharmaceuticals and Other Pharmaceuticals. The following tables set forth our selected historical consolidated financial information for the three years ended 31 December 2007, 2008 and 2009. Such financial information is extracted from the Accountants' Report included in Appendix I to this prospectus and you should read the entire financial statements included therein, including the notes thereto, for more details. Our financial information has been prepared in accordance with IFRS.

	Year ended 31 December		
	2007	2008	2009
	(USD in thousands)		
Combined statements of comprehensive income data:			
Revenue	24,150	37,119	47,932
Cost of sales	(7,695)	(11,094)	(15,493)
Gross profit	16,455	26,025	32,439
Other income	628	478	820
Selling and distribution expenses	(10,226)	(14,809)	(18,143)
Administrative expenses	(5,247)	(4,224)	(5,546)
Profit from operations	1,610	7,470	9,570
Finance costs	(774)	(1,518)	(667)
Profit before income tax	836	5,952	8,903
Income tax expense	(404)	(879)	(1,523)
Profit for the year	432	5,073	7,380
Dividends	1,631	2,491	6,640

	As at 31 December		
	2007	2008	2009
	(USD in thousands)		
Combined statements of financial position data:			
Cash and cash equivalents	1,585	9,103	4,055
Total assets	46,942	60,377	63,188
Current liabilities	23,979	16,943	22,431
Non-current liabilities	1,924	20,692	10,801
Total liabilities	25,903	37,635	33,232
Total equity	21,039	22,742	29,956

	Year ended 31 December		
	2007	2008	2009
	(USD in thousands)		
Combined statements of cash flows data:			
Net cash generated from operating activities	2,603	2,487	4,147
Net cash (used in)/generated from investing activities	(10,505)	3,800	(5,263)
Net cash generated from/(used in) financing activities	7,749	889	(3,879)
Net (decrease)/increase in cash and cash equivalents	(153)	7,176	(4,995)
Cash and cash equivalents, beginning of year	1,337	1,585	9,103
Effects of exchange rate changes	401	342	(53)
Cash and cash equivalents, end of year	1,585	9,103	4,055

PROFIT FORECAST FOR THE SIX MONTHS ENDING 30 JUNE 2010

The following sets forth certain unaudited profit forecast data for the six months ending 30 June 2010. Please refer to "Profit Forecast" in Appendix III to this prospectus for further details.

Forecast consolidated net profit attributable to equity holders of the Company[(1)] ..... not less than USD4.8 million (equivalent to approximately HK$37.3 million)

Unaudited forecast proforma earnings per Share[(2)] ..... not less than US1.2 cents (equivalent to approximately HK9.3 cents)

Notes:

(1) The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this prospectus.

(2) The calculation of forecast proforma earnings per Share for the six months ending 30 June 2010 is based on the forecast consolidated net profit attributable to equity holders of the Company for the six months ending 30 June 2010 and assuming that the Share Offer had occurred on 1 January 2010 and a total of 400,000,000 Shares had been in issue during the six months ending 30 June 2010 but without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option. We have undertaken to the Stock Exchange that our interim report for the six months ending 30 June 2010 will be audited pursuant to Rule 11.18 of the Listing Rules.

OFFER STATISTICS

	Based on an Offer Price of HK$2.95 per Share	Based on an Offer Price of HK$3.91 per Share
Market capitalization of our Shares	HK$1,180 million	HK$1,564 million
Unaudited pro forma adjusted net tangible asset per Share	HK$0.95 (equivalent to approximately USD0.12)	HK$1.18 (equivalent to approximately USD0.15)

Notes:

(1) The unadjusted audited combined net tangible assets of the Group attributable to equity shareholders of the Company as at 31 December 2009 is extracted from the Accountants' Report set out in Appendix I to this prospectus, after adjusting for goodwill and other intangible assets of approximately USD6,824,000 and USD7,663,000 respectively.

(2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK$2.95 and HK$3.91 per Share respectively, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of any Share which may be issued upon the exercise of Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after making the adjustments referred to in the preceding paragraph and on the basis that a total of 400,000,000 Shares were in issue (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Share Offer but without taking into account any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option).

(4) Our property interests were valued by Greater China Appraisal Limited and the valuation in respect of which was set out in Appendix IV to this prospectus. Pursuant to the valuation performed by Greater China Appraisal Limited, our property interest as at 28 February 2010 amounted to approximately USD15,720,000. Comparing the valuation amount as at 28 February 2010 to the unaudited net carrying value of our property interests as at 28 February 2010 of USD15,328,000, there was a surplus of approximately USD392,000. If such revaluation surplus was incorporated in the Group's financial statements for the year ending 31 December 2010, additional amortization and depreciation of USD9,000 would be charged. The revaluation surplus will not be reflected in the financial statements in subsequent year as we have elected to state the property interests at cost.

(5) The translation of United States dollars into Hong Kong dollars has been made at the rate of USD1 to HK$7.78. No representation is made that the United States dollars amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate, or at any other rate or at all.

FUTURE PLANS

We believe that we are well positioned to seize growth opportunities in the pharmaceutical sector in China, which is set for continued high growth. We aim to maintain and enhance our status as a leader in the DMARDs market with reputable brand recognition in the rapidly growing rheumatology market in the PRC. To achieve this goal, we seek to continue to leverage on synergies derived from our combined strong production capacity, integrated product portfolio, expertise with a focus on therapeutic treatment on rheumatic diseases in China, as well as established and highly leverageable sales and distribution network. To maintain and enhance our status as a leader in DMARDs market, we will also identify more agency drugs and leverage on our sales network for distribution. In addition, we plan to identify and acquire promising product candidates in the market. Further, we seek to develop new techniques on the production of some product candidates, and extraction of highly-concentrated active ingredients of white peony, together with the relevant invention patents application under progress.

Based on our current development progress, we expect to launch our Loxoprofen Sodium and Compound Capsaicin Ointment by the end of 2010 and also plan to increase production capacity by expanding our manufacturing facilities, including our raw materials production capacity, and improve the production techniques for our currently marketed products and new products under development. In addition, based on our current progress, the Mycophenolate Mofetil Capsules, our new agency distribution product is expected to be launched in the third quarter of 2010.

USE OF PROCEEDS

We believe that the Share Offer will raise and strengthen our corporate profile and provide us with capital resources to achieve our strategies and carry out our future plans.

The net proceeds of the Share Offer from issuance of new Shares are estimated to be approximately HK$304.5 million (equivalent to approximately USD39.1 million), before exercise of the Over-allotment Option, after deducting underwriting commission and other estimated expenses and assuming an Offer Price of HK$3.43 per Share, being the mid-point of the Offer Price range.

The Directors intend to use such net proceeds as follows:

- Approximately HK$91.4 million (equivalent to approximately USD11.7 million) to fund our product development and research to develop new products with therapeutic focus on rheumatic treatment and to develop new upgrade products from Pafulin with higher and broadened effectiveness in treatment of rheumatic diseases;

- Approximately HK$106.6 million (equivalent to approximately USD13.7 million) to fund potential acquisition of pharmaceutical companies we may identify in the future in the PRC and/or purchase of production technologies or rights in granted approvals of new drugs;

- Approximately HK$39.6 million (equivalent to approximately USD5.1 million) to fund the expansion of our raw materials production facilities, including to increase production capacity of Total Glucosides of White Peony from the current capacity of 40 tons to 100 tons, representing a 150% increase;

- Approximately HK$39.6 million (equivalent to approximately USD5.1 million) to increase hospital coverage of our core products across first to third tier hospitals and to fund the expansion and enhancement of our sales and distribution network which we can leverage on to sell our own drugs as well as new agency drugs identified from time to time; and

- Approximately HK$27.3 million (equivalent to approximately USD3.5 million) for general working capital purpose.

The net proceeds will only be applied towards Core Business. As at the Latest Practicable Date, we have not identified any specific acquisition opportunity of pharmaceutical companies.

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders. Assuming an Offer Price of HK$3.43 per Share (being the mid-point of the Offer Price range of HK$2.95 to HK$3.91 and assuming the Over-allotment Option is not exercised), the Selling Shareholders will receive approximately HK$135.4 million (equivalent to approximately USD17.4 million), after deducting underwriting fees and other expenses relating to the Sale Share payable by the Selling Shareholders.

In the event that the Offer Price is set at the upper end and the lower end of the proposed Offer Price range, we will receive net proceeds of approximately HK$350.4 million (approximately USD45.0 million) and HK$258.7 million (approximately USD33.3 million) respectively. We will use the net proceeds based on the percentages disclosed above, regardless of whether our Shares are priced at the upper end or lower end of the proposed Offer Price range and without taking into account the proceeds to be received upon exercise of the Over-allotment Option.

The additional net proceeds that we would receive upon exercise of the Over-allotment Option in full are approximately HK$49.1 million (equivalent to approximately USD6.3 million) assuming an Offer Price of HK$3.43 per Share, being the mid-point of the Offer Price range or approximately HK$42.3 million (equivalent to approximately USD5.4 million) assuming an Offer Price of HK$2.95 per Share, being the lower end of the Offer Price range or approximately HK$56.0 million (equivalent to approximately USD7.2 million) assuming an Offer Price of HK$3.91 per Share, being the upper end of the Offer Price range. In the event the Over-allotment Option is exercised in full, the additional net proceeds we receive will be applied to fund our product development and research to develop new products and to upgrade existing products with therapeutic focus on rheumatic treatment.

To the extent that the aggregate net proceeds of the Share Offer are not immediately required for funding of the above purposes, we may hold such funds in short term demand deposits or apply such funds towards reducing the balance of our revolving loans which can be redrawn when required for as long as we deem it to be in our best interest.

DIVIDEND POLICY

For the three years ended 31 December 2007, 2008 and 2009, Lansen Pharmaceutical BVI declared approximately USD1.6 million, USD2.5 million and USD6.6 million as dividends to the then shareholders respectively. The Company also declared a dividend of approximately USD5.39 million to its then Shareholders in April 2010, and we will distribute such dividend upon or before the Listing. Our Board of Directors will determine the payment of future dividends, if any, with respect to our Shares on a per Share basis. Dividend (other than interim dividend) shall be subject to shareholders' approval. Under our Articles of Association, all of the holders of Shares have equal rights to dividends and distribution. In addition to cash, dividends may be satisfied wholly or in part by the allotment and issue of Shares.

We currently do not have a dividend policy. The declaration, payment and amount of dividends in the future will be subject to the discretion of the Board and will depend on our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that our Directors may consider relevant. Holders of our Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

SUMMARY OF RISK FACTORS

Risks Relating to the Group

— We rely on the China market for the sales of our products and we rely heavily on municipal cities and coastal provinces in China for the sales of a significant amount of our products.

— We currently depend on two products for substantial portion of our sales.

— We may not be able to implement our business strategies on schedule or within our budget or at all.

— Our product development research efforts may not yield commercially successful new products.

— Our newly launched products may not be well received by the market.

— We depend on a limited number of suppliers for raw materials for our pharmaceutical products.

— We depend on agency distribution arrangements for some of our products.

— We may not be successful in expanding our sales and distribution network.

— We rely on a number of major customers.

— Our pharmaceutical products may not win in the tender processes for the purchase of medicines by state-owned and state-controlled hospitals.

— There is no assurance that our key products will remain, or new products developed by us will be admitted, in the Insurance Catalogue.

— We may experience difficulty in managing our acquisitions and future growth.

— If we are unable to retain the key members of our management, our growth and future success may be impaired and our business, operational results and financial condition could suffer.

— Third parties may infringe our intellectual property rights and other forms of protection under PRC law.

— Non-compliance with the social insurance and housing fund contribution regulations in the PRC could lead to imposition of penalties or other liabilities.

— We may be subject to losses that might not be covered in whole or in part by our insurance coverage.

Risks Relating to the Pharmaceutical Business

— Our pharmaceutical business is closely supervised and regulated, which limits our flexibility in setting product prices and in managing our operations.

— Our flexibility to raise or set prices may be limited by state-imposed price controls measures.

— Effect of China healthcare reform on pharmaceutical industry.

— We may incur losses leading to substantial damages resulting from product liability, personal injury or wrongful death claims.

— Some of our products under development must undergo a clinical trial process before they can be introduced into the market for commercial sale.

— The pharmaceutical industry is extremely competitive.

— Rapid changes in the pharmaceutical industry may render our products obsolete.

— Corruptive practices in the pharmaceutical industry could adversely affect our sales and reputation.

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

Risks Relating to the PRC

— We may be adversely affected by the recent economic turmoil in the world.

— Downturns in China's economy may adversely affect our business, operational results and financial condition.

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

— The PRC legal system is not fully developed and has inherent uncertainties which could limit the legal protections available to us and adversely affect our operations.

— Fluctuations in the exchange rates of the Renminbi may adversely affect our operations results and financial condition and your investment.

— PRC Government control over currency conversion may limit our ability to use our cash effectively.

— Recent PRC regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and adversely affect the implementation of our acquisition strategy as well as our business and prospects.

— Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options and restricted share units may subject such employees or us to fines and legal or administrative sanctions.

— We may be deemed a PRC resident enterprise under the new PRC Enterprise Income Tax Law and be subject to the PRC taxation on our worldwide income.

— Changes in or discontinuation of the favorable tax treatments in PRC currently available to us could reduce our profitability.

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

— We are a holding company and our ability to pay dividends is dependent upon the earnings of, and distributions by our subsidiaries in the PRC.

— Unexpected business interruptions resulting from natural disasters, terrorist acts or power shortage could affect our business.

— You may experience difficulties in effecting service of legal process and enforcing judgments against us and our officers.

— The implementation of the new labour contract law and increase in labour costs in the PRC may adversely affect our business and our profitability.

— We may face greater competition as a result of China's entry into the WTO.

Risks Relating to Ownership of Shares

— There has been no prior public market for the Shares.

— The trading price of the Shares may be volatile which could result in substantial losses for investors purchasing Offer Shares in the Share Offer.

— Future sale of the Shares or major divestment of Shares by any major shareholder could adversely affect the Share price.

— Investors in the Share Offer may experience dilution if we issue additional Shares in the future.

— The interests of our Controlling Shareholder may not always coincide with our interests and those of our other shareholders.

— We cannot assure you that we will declare dividends in the future.

Risks Relating to the Share Offer

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

— Forward-looking information contained in this prospectus may prove inaccurate.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms".

"ACCA"	Association of Chartered Certified Accountants
"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 Public Offer
"Articles of Association" or **"Articles"**	the articles of association of our Company adopted on 9 April 2010 and as amended from time to time
"associates"	has the meaning ascribed thereto under the Listing Rules
"BDCL Report"	an industry report titled "Rheumatic autoimmune disorders industry and pharmaceutical research report" prepared and issued by Biao Dian in August 2009
"Biao Dian"	Guangzhou Biao Dian Medical Data Company Limited* (廣州標點信息有限公司), which is principally engaged in the publication and information management businesses and is an information collection, research and analysis services provider in pharmaceutical industry and an Independent Third Party which is indirectly owned by 南方醫藥經濟研究所, which in turn is an entity directly controlled by SFDA
"Board" or **"Board of Directors"**	the board of Directors
"Brilliant Manufacture"	Brilliant Manufacture Limited (formerly known as Cathay International Pharma Manufacture Limited), a limited liability company incorporated in the BVI on 25 February 2005, a wholly-owned subsidiary of the Company
"Business Day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"Cayman Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961) of the Cayman Islands as amended, supplemented and modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant
"CI Biotech & Pharma China"	Cathay International Biotechnology & Pharmaceutical (China) Limited, a company incorporated in the BVI on 19 April 2002, a wholly-owned subsidiary of CIP
"CIB"	Cathay International Biotech Company Limited, a company incorporated in the BVI on 20 December 2001, a wholly-owned subsidiary of CIH
"CIC"	Cathay International Changchun Biotechnology and Pharmaceutical Limited, a company incorporated in the BVI on 24 December 2001, a wholly-owned subsidiary of CI Biotech & Pharma China
"CIH"	Cathay International Holdings Limited, a company established under the laws of the Bermuda with limited liability on 18 January 2001 whose shares are listed on the London Stock Exchange (stock code: CTI), the Controlling Shareholder of the Company
"CIH Group"	CIH and its subsidiaries
"CI Pharma China"	Cathay International Pharma Manufacture and Distribution (China) Limited, a company incorporated in the BVI on 25 February 2005, a wholly-owned subsidiary of CI Biotech & Pharma China
"CIP"	Cathay International Pharmaceutical Limited, a company incorporated in the BVI on 30 May 2007, a wholly-owned subsidiary of CIB
"Company" or **"we"**	Lansen Pharmaceutical Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 10 September 2009
"connected person"	has the meaning ascribed to it under the Listing Rules

"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules and, in the context of the Company, means CIH
"Core Business"	the core business carried on by the Company, namely, the development, production and sale of specialty prescription western pharmaceuticals for the treatment of autoimmune rheumatic diseases in the PRC
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"CTMO"	Trademark Office under the State Administration for Industry and Commerce (中華人民共和國國家工商行政管理總局商標局), the PRC government authority responsible for matters relating to trademark
"Director(s)"	director(s) of the Company
"Deed of Non-Compete Undertakings"	the deed of non-compete undertakings dated 9 April 2010 executed by CIP in favour of our Company
"Eleventh Five Year Plan"	the eleventh five-year plan for national economic and social development of the PRC by National Development and Reform Commission (NDRC)
"Essential Drug List" or **"EDL"**	the National List of Essential Drugs (Catalog for the Basic Healthcare Institutions) (國家基本藥物目錄(基層醫癒衛生機構備使用部份)), issued by MOH on 18 August 2009
"Ever Sail"	Ever Sail Limited (永航有限公司), a limited liability company incorporated in the BVI on 9 December 2009, an Independent Third Party
"Flash Universal"	Flash Universal Limited, a limited liability company incorporated in the BVI on 6 July 2005, a wholly-owned subsidiary of the Company
"GDP"	gross domestic product (all references to GDP growth rates are to real as opposed to nominal growth rates of GDP)
"Green Application Form(s)"	the application form(s) to be completed by **HK eIPO White Form** Service Provider designated by our Company
"Group"	the Company and its subsidiaries
"HK eIPO White Form"	applying for Public Offer Shares to be issued in your name by submitting applications online through the website of the designated **HK eIPO White Form** Service Provider, ***www.hkeipo.hk***

"HK eIPO White Form Service Provider"	The Bank of East Asia, Limited
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented and modified from time to time
"Hong Kong dollars" or **"HK dollars"** or **"HK$"**	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Share Registrar"	Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
"Horizon Network"	Horizon Network Limited (formerly known as Cathay International Biotechnology and Diagnosis Equipment Limited), a limited liability company incorporated in the BVI on 19 April 2002, a wholly-owned subsidiary of the Company
"IFRS"	International Financial Reporting Standards, which include International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board (IASB), and the International Accounting Standards (IAS) and Interpretations as originated by the Board of the International Accounting Standards Committee (IASC) and adopted by the IASB
"Independent Third Party(ies)"	person(s) or company(ies) which is(are) independent of the Directors, controlling shareholder, substantial shareholders and the chief executives (as such terms as defined in the Listing Rules) of the Company and its subsidiaries
"Insurance Catalogue"	the State Basic Medical Insurance and Work Injury Insurance Catalogue* (《國家基本醫療保險和工傷保險藥品目錄》) issued by the Ministry of Labour and Social Security of the PRC in 2009, which superceded the State Basic Medical Insurance Drugs Catalogue* (《國家基本醫療保險藥品目錄》) issued by the Ministry of Labour and Social Security in 2004

"Intermediate BVI Companies"	Horizon Network, Magnificent Worldwide, Brilliant Manufacture and Flash Universal
"Intermediate Companies"	Intermediate BVI Companies and Intermediate Hong Kong Companies
"Intermediate Hong Kong Companies"	Liwah Plant Extract HK, Point Kin and Lansen Pharmaceutical HK
"Lansen Pharmaceutical BVI"	Lansen Pharmaceutical Holdings Limited, a limited liability company incorporated in the BVI on 2 March 2005, a wholly-owned subsidiary of the Company
"Lansen Pharmaceutical HK"	Lansen Pharmaceutical (Hong Kong) Limited (朗生醫藥(香港)有限公司), a limited liability company incorporated in Hong Kong on 27 July 2009, an indirectly wholly-owned subsidiary of the Company
"Latest Practicable Date"	21 April 2010, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of the Shares on the Stock Exchange
"Listing Date"	the date on which dealings in the Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Liwah Plant Extract HK"	Liwah Plant Extract (Hong Kong) Limited (立華植物提取(香港)有限公司), a limited liability company incorporated in Hong Kong on 27 July 2009, an indirectly wholly-owned subsidiary of the Company
"Liwah Zhiti"	Ningbo Liwah Plant Extraction Technology Limited* (寧波立華植物提取技術有限公司), a limited liability company established under the laws of PRC on 30 September 2005, an indirectly wholly-owned subsidiary of the Company
"Loyal Peace"	Loyal Peace Enterprises Limited, a limited liability company incorporated in the BVI on 28 April 2006, a substantial shareholder of our Company
"Magnificent Worldwide"	Magnificent Worldwide Limited (formerly known as Cathay Chinese Medicine (Zhejiang) Limited), a limited liability company incorporated in the BVI on 5 January 2004, an indirectly wholly-owned subsidiary of the Company
"Memorandum"	the memorandum of association of the Company

"Ministry of Health" or **"MOH"**	Ministry of Health of the PRC (中華人民共和國衛生部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"NBS"	National Bureau of Statistics of China (中國國家統計局)
"Ningbo Lansen"	Ningbo Lansen Pharmaceutical Company Limited* (寧波朗生醫藥有限公司), a limited liability company established in the PRC on 18 May 2009, an indirectly wholly-owned subsidiary of the Company
"Ningbo Lansen Pharma Technology"	Ningbo Lansen Pharmaceutical Technology Limited* (寧波朗生醫藥技術有限公司), a limited liability company established under the PRC on 30 September 2005 and an indirectly wholly-owned subsidiary of the Company, which has been absorbed by Ningbo Liwah in April 2009
"Ningbo Liwah"	Ningbo Liwah Pharmaceutical Company Limited* (寧波立華製藥有限公司), a company established under the laws of the PRC on 6 January 1993, an indirectly wholly-owned subsidiary of the Company
"OECD"	Organization for Economic Co-operation and Development
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%) of not more than HK$3.91 and is expected to be not less than HK$2.95, such price to be agreed upon by Sole Lead Manager (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date
"Offer Shares"	the Public Offer Shares and the Placing Shares, and where relevant, together with any new Shares to be issued pursuant to the exercise of the Over-allotment Option
"Other Pharmaceuticals"	the pharmaceuticals manufactured and sold by the Company other than the Core Business, including modern Chinese medicine extracts and OTC pharmaceuticals
"Other Pharmaceuticals Business"	the business in developing, manufacturing and marketing of Other Pharmaceuticals carried on by the Company

"Over-allotment Option"	the option to be granted by the Company to the Placing Underwriters exercisable by the Sole Bookrunner on behalf of the Placing Underwriters pursuant to which the Company may be required to issue up to an additional aggregate of 15,000,000 new Shares (in aggregate representing 15% of the new Shares being offered under the Share Offer) to cover over-allocations in the Placing, details of which are described in the section headed "Structure of the Share Offer" in this prospectus
"PBOC"	People's Bank of China (中國人民銀行), the central bank of the PRC
"Piper Jaffray Asia" or **"Sole Sponsor"**	Piper Jaffray Asia Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO), being the sole sponsor to the Share Offer
"Piper Jaffray Asia Securities" or **"Sole Bookrunner"** or **"Sole Lead Manager"**	Piper Jaffray Asia Securities Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities (as defined under the SFO), being the sole bookrunner and sole lead manager to the Share Offer
"Placing"	the conditional placing of 127,215,000 Placing Shares by the Placing Underwriters on behalf of the Company and the Selling Shareholders with professional and institutional investors for cash at the Offer Price, as set forth in the section headed "Structure of the Share Offer" in this prospectus
"Placing Shares"	the 127,215,000 Offer Shares (comprising 85,865,000 new Shares and 41,350,000 Sale Shares) initially being offered at the Offer Price under the Placing together with, where relevant, any additional new Shares which may fall to be issued by the Company pursuant to the exercise of the Over-allotment Option, but subject to adjustment as described in the section headed "Structure of the Share Offer" in this prospectus
"Placing Underwriters"	underwriters of the Placing whose names are set out in the paragraph headed "Placing Underwriters" in the section headed "Underwriting" in this prospectus
"Placing Underwriting Agreement"	the conditional underwriting agreement relating to the Placing to be entered into among our Company, the Selling Shareholders, the executive Directors, the Controlling Shareholder, the Sole Sponsor, the Sole Lead Manager and the Placing Underwriters
"Point Kin"	Point Kin International Limited, a limited liability company incorporated in Hong Kong on 25 September 2007, an indirectly wholly-owned subsidiary of the Company

"PRC" or **"China"**	People's Republic of China and "Chinese" shall be construed accordingly. References in this prospectus to the PRC or China exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC government" or **"Chinese government"**	central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"Price Determination Agreement"	the agreement to be entered into by the Sole Lead Manager (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Friday, 30 April 2010 and, in any event, not later than Monday, 3 May 2010 on which the Offer Price is to be fixed by agreement between our Company (for ourselves and on behalf of the Selling Shareholders) and the Sole Lead Manager (on behalf of the Underwriters) to determine the Offer Price
"Property Valuation Report"	the summary of valuation and valuation certificates from Greater China Appraisal Limited as set out in Appendix IV to this prospectus
"Public Offer"	the offering by our Company of 14,135,000 new Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Share Offer" in this prospectus) for cash at the Offer Price (plus brokerage of 1% of the Offer Price, SFC transaction levy of 0.004% of the Offer Price, and Stock Exchange trading fee of 0.005% of the Offer Price) on the terms and conditions described in this prospectus and the Application Forms
"Public Offer Shares"	14,135,000 new Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Public Offer (subject to adjustment as described in the section headed "Structure of the Share Offer" in this prospectus)
"Public Offer Underwriters"	underwriters of the Public Offer whose names are set out in the paragraph headed "Public Offer Underwriters" in the section headed "Underwriting" in this prospectus
"Public Offer Underwriting Agreement"	the conditional underwriting agreement dated 26 April 2010 relating to the Public Offer entered into among our Company, the executive Directors, CIH, CI Pharma China, Loyal Peace, the Sole Sponsor, the Sole Lead Manager and the Public Offer Underwriters

"Reorganization"	corporate reorganisation of our Group effected in anticipation of the Share Offer, as described in the paragraph headed Reorganization in the section headed "History, Reorganization and Group Structure" of this prospectus
"RMB" and "Renminbi"	the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental authority responsible for matters relating to foreign exchange administration
"Sale Shares"	41,350,000 Shares to be offered for purchase by the Selling Shareholders at the Offer Price under the Placing
"SDA"	the State Drug Administration of the PRC, the predecessor of the SFDA prior to 16 April 2003
"Selling Shareholders"	CI Pharma China and Loyal Peace, being the Shareholders who offer 31,350,000 Shares and 10,000,000 Shares for purchase in the Placing respectively with their particulars set out in the section headed "Other information — Particulars of Selling Shareholders" in Appendix VI to this prospectus
"SFC"	Securities and Futures Commission of Hong Kong
"SFDA"	State Food and Drug Administration (國家食品藥品監督管理局), the PRC governmental authority responsible for regulation of food and drugs
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as the same may be amended, supplemented or otherwise modified from time to time
"Share Offer"	the Public Offer and the Placing
"Shareholder(s)"	holder(s) of Share(s) of our Company from time to time
"Shares"	shares with a nominal value of USD0.01 each in the capital of the Company
"Shenzhen Lansen"	Lansen Medicine (Shenzhen) Company Limited* (朗生醫藥（深圳）有限公司), a company established in the PRC on 27 December 2001, an indirectly wholly-owned subsidiary of the Company
"Shenzhen Sanjiu"	Sanjiu Medical and Pharmaceutical Company Limited* (三九醫藥股份有限公司), a A-share listed company on the Shenzhen Stock Exchange, an Independent Third Party

"SIPO"	State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局), the PRC government authority responsible for matters relating to intellectual property
"State Basic Medical Insurance Scheme"	the medical insurance scheme (國家基本醫保制度) operated by the PRC Government which employers in urban areas in the PRC are required to subscribe to on behalf of their employees to provide them with partial coverage of the costs of medicine listed in the Insurance Catalogue
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder"	has the meaning ascribed to it in the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Tianjin Longbai"	Tianjin Longbai Biological Engineering and Technology Company Limited* (天津市隆佰生物工程科技有限公司), a company established in the PRC, a subsidiary of CIH, our Controlling Shareholder
"Track Record Period"	the period which commenced on 1 January 2007 and ended on 31 December 2009
"Underwriters"	Placing Underwriters and Public Offer Underwriters
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"U.S." or **"United States"**	United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars" or **"USD"**	United States dollars, the lawful currency of the United States
"WHO"	World Health Organization
"WTO"	World Trade Organization
"Xian Haotian"	Xian Haotian Bio-Engineering Technology Co. Ltd.* (西安皓天生物工程技術有限責任公司), a company established in the PRC on 14 February 2003, a wholly-owned subsidiary of CIH, our Controlling Shareholder

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese version shall prevail. English translations of official Chinese names are for identification purpose only.

* *for identification purpose only*

This glossary contains definitions of certain terms used in this prospectus in connection with the Company and its business. Some of these may not correspond to standard industry definitions.

"ankylosing spondylitis" or "AS"	a chronic progressive disease affecting sacroiliac joints, protrusion of spine bone, soft tissues adjacent to the spine and peripheral joints, as well as parts other than the joints in the body
"bulk pharmaceuticals" or "bulk drugs"	the main medicinal ingredient of western pharmaceuticals in ready-for-use forms, produced using chemical compounding techniques
"CAGR"	compound annual growth rate
"capsules"	a form in which medicines may be delivered for oral ingestion, produced by mixing extracted active medicinal ingredients with supplemental materials which are sealed in a soft gelatin capsule
"Certificate of New Medicine"	a Certificate of New Medicine (新藥註冊證書) generally provides a medicine product a monitoring period of up to five years, during which other pharmaceuticals manufacturers in the PRC are not permitted to produce the relevant products. Such medicines may include medicines based on existing formulae but produced in new product forms or with new curative effects in the PRC market. See "Regulation — Manufacturing of Pharmaceutical Products — Registration of pharmaceutical products — Registration of new pharmaceutical products"
"CRA"	Chinese Rheumatology Association (中華醫學會風濕病學分會), founded in 1985 with goals to further develop and raise awareness of the Rheumatoid Arthritis market
"Dermatology"	Dermatology is the branch of medicine dealing with the skin and its diseases, a unique specialty with both medical and surgical aspects
"DMARDs"	disease-modifying antirheumatic drug, a category of drugs focused on slowing the progression of rheumatic diseases as opposed to simply treating inflammation

"GMP" or **"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 to ensure that pharmaceutical products subject to those guidelines and regulations are consistently produced and controlled to the quality and standards appropriate for their intended use
"granules"	a form in which medicines may be delivered for oral ingestion, produced by mixing extracted active medicinal ingredients with supplemental materials or powdered medicines which are formed into dry granules
"GSP" or **"Good Supply 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 to ensure that pharmaceutical distribution enterprises distribute pharmaceutical products in compliance with those guidelines and regulations
"Medical Reform"	a reform passed by China's State Council which promised to spend RMB850 billion (equivalent to approximately USD124 billion) by 2011 to provide universal medical service to the country's 1.3 billion population
"metabolic arthritis" or **"Gout"**	it is a hereditary metabolic disorder characterized by recurrent acute arthritis, hyperuricemia and deposition of sodium urate in and around the joints, sometimes with formation of uric acid calculi
"mg"	milligram, a unit for measuring weight
"middle and old aged"	middle to old aged persons, aged 40 or above
"ml"	millilitre, a unit for measuring volume
"modern Chinese medicine"	Chinese medicine produced based on modern production processes and technologies
"Mycophenolate Mofetil"	an immunosuppressant used to prevent rejection of allogeneic cardiac, hepatic, and renal transplants and on treatment of both nephritic diseases and lupus erythematosus
"NSAIDs"	non-steroidal anti-inflammatory drugs
"osteoarthritis"	a progressive, degenerative joint disease, the most common form of arthritis, especially in older persons. The disease is thought to result not from the aging process but from biochemical changes and biomechanical stresses affecting articular cartilage

"Over-the-Counter Pharmaceuticals" or **"OTC pharmaceuticals"**	over-the-counter pharmaceutical products which may, upon receiving SFDA approval, be sold over the counter in pharmacies or other retail outlets without requiring a prescription by a medical practitioner
"plant extracts"	Concentrated preparations of plants extracted on pharmaceutical standard and obtained by obtaining active constituents with a suitable solvent, which is evaporated away and adjusting the residue to a prescribed standard
"Prescription pharmaceuticals"	drugs which may only be prescribed by qualified medical practitioners
"prevalence rate"	the number of cases of a specific disease present in a given population
"rheumatic diseases" or **"rheumatology"**	disorders of connective tissues, especially the joints and related structures, characterized by inflammation, degeneration or metabolic derangement. A subspecialty of internal medicine concerned with the study of inflammatory or degenerative processes and metabolic derangement of connective tissue structures which pertain to a variety of musculoskeletal disorders, such as arthritis
"rheumatoid arthritis" or **"RA"**	rheumatoid arthritis, a chronic, systemic inflammatory disorder that may affect many tissues and organs, but principally attacks the joints producing an inflammatory synovitis that often progresses to destruction of the articular cartilage and ankylosis of the joints
"syrup"	a form in which medicines may be delivered for oral ingestion, produced by mixing extracted active medicinal ingredients with supplemental materials in liquid form
"system lupus erythematosus" or **"SLE"**	a pervasive connective tissue disease with obvious symptom of autoimmune inflammation
"tablets"	a form in which medicines may be delivered for oral ingestion, produced by mixing extracted active medicinal ingredients with supplemental materials or powdered medicines which are formed into tablets

* *for identification purpose only*

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with an investment in our Company before making any investment decision regarding our Company. You should pay particular attention to the fact that our Company is incorporated in the Cayman Islands and all of our Group's operations are conducted in the PRC and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

We believe that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorized into: (i) risks relating to the Group; (ii) risks relating to the pharmaceutical business; (iii) risks relating to the PRC; (iv) risks relating to ownership of Shares; and (v) risks relating to the Share Offer.

RISKS RELATING TO THE GROUP

We rely on the China market for the sales of our products and we rely heavily on municipal cities and coastal provinces in China for the sales of a significant amount of our products.

During the three years ended 31 December 2007, 2008 and 2009, we generated nearly all our sales in China. We anticipate that domestic sales in China will continue to represent a substantial proportion of our total sales in the near future. In addition, we rely heavily on municipal cities and coastal provinces in China for the sales of a significant amount of our products. During the year ended 31 December 2009, the top five municipal cities and provinces contributing to our revenue were Beijing, Shanghai, Shandong Province, Zhejiang Province and Guangdong Province, most of which are municipal cities and coastal provinces in China. The sales derived from the top five municipal cities and provinces during the year ended 31 December 2009 amounted to approximately USD25.0 million representing approximately 52.2% of our revenue during the same period. As a result, our business, operational results and financial conditions may be materially affected if there is any adverse change in economic, political and social conditions and health care policy in China, and in particular, the above mentioned municipal cities and provinces in China.

We currently depend on two products for substantial portion of our sales.

We currently depend on sales of two products, namely Pafulin and Tuoshu, for substantial portion of our revenue. During the three years ended 31 December 2007, 2008 and 2009, revenue from Pafulin and Tuoshu in aggregate amounted to approximately USD12.4 million, USD19.9 million and USD26.3 million, accounting for approximately 51.5%, 53.7% and 54.9% of our total revenue respectively. If the market demand for Pafulin and Tuoshu decline in the future due to introduction of substitute products at more favorable price terms by competing pharmaceutical manufacturers or if we fail to sustain the popularity of such products or obtain renewal of the relevant licences or permits, our business, operational results and financial conditions may be adversely affected which could be material.

We may not be able to implement our business strategies on schedule or within our budget or at all.

The successful implementation of our business strategies are subject to significant business, economic and competitive uncertainties and contingencies, including, among others, continued growth of the pharmaceutical market in China, the availability of funds, competition and government policies. Delays in the delivery of raw materials or installation of production equipment, seasonal factors, labor disputes or civil unrest, compliance with environmental or other laws and regulations, delays in securing requisite government approvals, a downturn in the economy or changes in market conditions, any of which could delay or inhibit the implementation of our business strategies. Delays or failure to successfully implement our business strategies could result in the loss or delayed receipt of turnover, an increase in financing costs, and failure to meet profit and earnings projections, any of which may adversely affect our business, operational results and financial conditions.

If we are unable to renew relevant licences, certification or registration upon their expiration, we may not be able to continue to manufacture and sell the products whose licences and certifications have expired. Further, compliance standards in relation to these licences and certifications may change from time to time. If the introduction of any new law or regulation or change of interpretation of any existing law or regulation increases our compliance costs or makes it more restrictive for us to conduct any part of our business, operational results and financial conditions may be adversely affected. Moreover, if the introduction of any new law or regulation or change of interpretation of any existing law or regulation prohibits us from conducting any part of our business, we may be forced to cease operation of such part of business and our business, operational results and financial conditions may be adversely affected.

Our product development and research efforts may not yield commercially successful new products.

The success and growth of pharmaceutical companies depends, to a large extent, on the ability to develop and commercialize new products in a timely fashion. Therefore, one of our business strategy is to strengthen our product development and research capability. We cannot assure you that our product development and research efforts will result in the development of popular pharmaceutical products or innovative production technologies that, lead to production technology breakthroughs, be completed on time or that any such research projects will generate expected benefits. Further, we cannot assure you that we will be able to acquire the sole intellectual property rights over our research efforts although it would generally be a requirement that the intellectual property rights are to be transferred to us or to be co-owned by us pursuant to these operation arrangement or any newly-developed pharmaceutical products will receive the requisite regulatory approvals or that such products will be commercially successful. Whether a pharmaceutical product is commercially successful depends on a number of factors, such as the absence of other products with similar therapeutic effects and the effectiveness of our sales and marketing

and distribution efforts. If our product development and research efforts fail to develop commercially successful products, our business, operational results and financial conditions may be adversely affected.

We cooperate with a number of research institutions, universities and bio-tech pharmaceutical companies in the PRC to manage clinical trials of some of our pharmaceutical products to develop and commercialise new products. We cannot assure you that we will be able to enter into similar co-operative relationships with such institutions, universities and companies for the above purposes. Any deterioration in our relationships with these institutions to meet the relevant research objectives, misappropriation of the research results or failure by us to enter into cooperative research relationship with suitable research institutions, universities and companies on viable terms to us for future research and development projects, may have an adverse effect on our ability to launch and develop new products and on our business prospects.

Our newly launched products may not be well received by the market.

The success of a pharmaceutical company depends, to a large extent, on whether the products it introduces to the market are well received by the market. The primary factors which may affect the acceptance of our products by the market include efficacy, quality, price, purchasing trends of our customers, distributors and their customers. In particular, the introduction of new products requires substantial investment of capital resources, research and development efforts. If any of our new products is not well received by the market because its efficacy is not as good as expected, it is too expensive compared to other substitutes, or for any other reason, we may not be able to recoup the investment we have made in developing such new products, in which case our business, operational results and financial condition may be adversely affected.

We depend on a limited number of suppliers for raw materials for our pharmaceutical products.

We have not entered into any long term raw materials supply agreements with most of our suppliers. During the three years ended 31 December 2007, 2008 and 2009, purchases of raw materials for our pharmaceutical products from our top five raw material suppliers amounted to approximately USD2.4 million, USD2.1 million and USD5.3 million respectively, representing approximately 30.6%, 19.3% and 33.2% of our total purchase respectively during these periods. We cannot assure you that our suppliers will continue to be able to supply raw materials at prices and on terms and conditions acceptable to us in the future. We rely on white peony root (白芍), a Chinese herb as raw material for production of Pafulin, one of our principal products. The processing of Pafulin are highly dependent upon the supply of white peony root (白芍) of which their availability, supply and prices are dependent on seasonal factors such as the harvest of white peony root in a particular year. Availability, supply and prices of the raw materials may be adversely affected by such factors as general market conditions, demand and supply for the relevant raw materials, weather or natural disasters. Please refer to paragraph headed "Unexpected business interruption resulting from natural disasters, terrorist acts or power shortages could affect our business" below.

Any of the foregoing factors may affect or disrupt the supply of such raw materials, cause the price of raw materials to increase and result in increases to our production costs. We may not be able to entirely offset increased production costs by increasing the prices of our products due to market factors or price controls established by the PRC government. In the event that our suppliers cease their supply of their respective principal raw materials to us for any reason and no suitable replacement suppliers can be identified within a reasonable period of time, our business and operational results may be adversely affected.

We depend on agency distribution arrangements for some of our products.

Four of our existing five rheumatic specialty prescription western products and certain of our Other Pharmaceuticals are sold under agency distribution arrangements. The term of our agency distribution agreements ranged from two years to six years. We cannot assure you that manufacturers and other suppliers will continue to sell products to us on commercially reasonable terms, or at all. We also cannot assure you that we will be able to establish new manufacturer or other supplier relationships or extend existing relationships with suppliers when our agreements with them expire. Our agency distribution agreements with suppliers may be terminated from time to time due to various reasons beyond our control. Moreover, the agency distribution agreements for some of our products are not exclusive, and we cannot assure you that our competitors will not obtain the distribution rights of certain of our products. If we are not able to continue these agency distribution agreements upon the expiry of their respective term, our business and operational results may be adversely affected.

In addition, as we do not manufacture the products which we sold under agency distribution agreements, we cannot assure you that our suppliers will be able to supply products to us with consistent quality which conform with applicable SFDA standards on a continual basis. In September 2008, the SFDA issued a notice stating that they have examined samples of Leflunomide (being a raw material for one of our principal products, Tuoshu) manufactured by our supplier of Tuoshu and discovered that two of the batches have not conformed with the SFDA standards. As a result, the above samples have been confiscated by the SFDA and the manufacturer has been ordered to pay a fine of approximately RMB116,800 (equivalent to approximately USD17,111). Following this incident, we have taken the incident seriously and have implemented measures to ensure quality standard of the products supplied to us, by requiring the manufacturer of Tuoshu to deliver to us a quality report prior to our sales, in relation to every batch of products supplied to us by the manufacturer of Tuoshu, apart from conducting our own quality check including inspection of the packaging, outlook, expiry date and labelling of the products in accordance with the GSP requirements we also conduct a regular review and update on any news about any unqualified report on the raw materials used in producing such products and request such manufacturer to supply us with their in-house quality report and quality report issued by an independent recognized laboratory at provincial or municipal levels confirming that the quality of Tuoshu and the raw material Leflunomide used in the manufacture of such product have conformed with applicable SFDA standards. In the event that we are unable to obtain products from our suppliers which comply with the SFDA standards under the agency distribution agreements on a continual basis or if our

quality control system fail to detect any defective products which have been supplied to us from our suppliers which manufacture the products, our business and operational results may be adversely affected.

We may not be successful in expanding our sales and distribution network.

We distribute our products through our approximately 260 sales representatives and more than 500 direct customers which comprise distributor customers and other customers in 2009. We intend to further expand our prescriptive western pharmaceuticals distribution network, which is located predominantly in the municipal cities and coastal provinces. Any disruption in the operation of our distribution network could result in higher costs or longer lead-times associated with distributing our products by our customers. In addition, we may not be successful in expanding our sales and distribution network. Our customers do not sell our products on an exclusive basis. As a result, our products face competition from similar products sold by our customers. Therefore, the success of our proposed expansion will depend on many factors, including our ability to form relationships with and manage our customers nationwide as well as competition of our products against other products sold by our customers. If we fail to expand our distribution network in China as planned or if other products sold by our customers offer more competitive price terms than our products, our business, operational results and financial condition may be adversely affected.

We rely on a number of major customers.

We have entered into one-year product sales agreements with our major distributor customers of our core products which account for approximately 60.7%, 68.1% and 57.9% of our revenue for the year ended 31 December 2007, 2008 and 2009, through which our products are sold to hospitals and pharmacies. For each of the three years ended 31 December 2009, our five largest customers, in aggregate, accounted for approximately 25.9%, 33.3% and 33.8% of the Group's total revenue respectively; whilst sales to the single largest customer of the Group accounted for approximately 6.8%, 10.2% and 14.8% of the Group's total revenue respectively. All of our five largest customers during the Track Record Period are Independent Third Parties. We do not enter into long-term contracts with our customers but a product sales agreement is generally entered into each year with our major distributor customers of our core products. If the relationship with our major customers is adversely affected for whatever reason or all or any of these major customers cease to place orders with us, or any of these customers significantly reduces their purchases from us, terminates the product sales agreements with us, or refuses to enter into new agreements upon expiration of one-year product sales agreements, our business, operational results and financial condition would be adversely affected.

Our pharmaceutical products may not win in the tender processes for the purchase of medicines by state-owned and state-controlled hospitals.

A substantial portion of the products we sell to our distributor customers are then sold to hospitals owned and controlled by government authorities in the PRC. Our pharmaceutical products are sold mainly by our distributor customers to hospitals for consumption by their patients and pharmacies for their on-sale. These hospitals must comply with tender process for the purchase of medicines listed in the Insurance Catalogue

and medicines that are consumed in large volumes and commonly prescribed for clinical use. The centralised tendering process is conducted periodically in the relevant province or city in China. Only pharmaceuticals which have won bids in the collective tender processes may be purchased by these hospitals. For further information on the hospital tender process, please refer to section headed "Regulation — Procurement System" of this prospectus.

We distribute our pharmaceutical products after the bids are won upon the placement of purchase orders by our distributor customers through which our products will be distributed to the relevant hospitals. We cannot assure you that we will be successful in winning bids in the collective tendering process. In addition, there is no assurance that pharmacies and hospitals will continue to stock and prescribe our products over those of our competitors and there are no contractual restrictions preventing our distributor customers from selling our competitors' products. If our sales channels treat our competitors' products more favorably or stop selling our products, and we are unable to find appropriate substitutes, our business, operational results and financial conditions may be adversely affected.

There is no assurance that our key products will remain, or new products developed by us will be admitted, in the Insurance Catalogue.

The Ministry of Labor and Social Security publishes an Insurance Catalogue according to the Notice on the Issue of the State Basic Medical Insurance and Workman Compensation Insurance Pharmaceutical Catalogue. Patients purchasing pharmaceutical products included in the Insurance Catalogue are entitled to reimbursement of a portion of their purchase costs from the social medical fund. All five of our specialty prescription western pharmaceuticals currently sold by us are included in the Insurance Catalogue. Pharmaceutical products which are included in the Insurance Catalogue are more cost effective for consumers compared to those which are not. Therefore, the admission of products into the Insurance Catalogue affects the sales of the relevant pharmaceutical products. The pharmaceutical products admitted in the Insurance Catalogue are selected by the Ministry of Labor and Social Security from time to time based on various factors including treatment requirements, frequency of use, efficacy and price. We cannot assure you that our existing products currently admitted in the Insurance Catalogue will continue to remain in the Insurance Catalogue. The removal or exclusion of our products from the Insurance Catalogue may adversely affect the sales of our relevant product. Similarly, any failure by us to obtain admission of new products developed by us in the Insurance Catalogue may adversely affect the future sales of those new products.

We may experience difficulty in managing our acquisitions and future growth.

We anticipate that we will continue to grow through organic growth and selective acquisitions. Managing our acquisitions and growth has resulted in, and will continue to result in, substantial demands on our management, operational and other resources. Our current and planned operations, personnel, systems, internal procedures and controls may not be adequate to support our future growth. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond to competitive pressures.

If we are unable to retain the key members of our management, our growth and future success may be impaired and our business, operational results and financial condition could suffer.

We believe that our success depends upon the continued contributions of our officers and key management members, namely Mr. Xu Jun, Mr. Liu Xiao Dong and Mr. Xie Hong Wei. Our Directors, senior management and technical personnel possess expertise, and experience in our industry, operations and business that are difficult to replace. We do not maintain key man insurance for any of our management personnel. We cannot assure you that the services of such personnel will continue to be available or that we will be able to replace any such personnel with managers who have similar knowledge or experience. If we lose the service of any of our key management members or if we fail to continue to attract and retain additional personnel of suitable experience and qualifications, our business may be disrupted and our business, operational results and financial conditions may be adversely affected.

Third parties may infringe our intellectual property rights and other forms of protection under PRC law.

Some of our products enjoy administrative protection, trade marks, patent and other forms of intellectual property rights protection. Our success depends a significant degree upon the intellectual property rights and other forms of protection afforded to our products under PRC law. Our competitors may independently develop proprietary technologies similar to ours, introduce counterfeits of our products, misappropriate our proprietary information or infringe on our brand names or trademarks. Such counterfeit pharmaceutical products are generally sold at lower prices than the authentic pharmaceutical products due to their low production costs, and in some cases are very similar in appearance to the authentic pharmaceutical products. Any misappropriation of our intellectual property rights may impair the market value of our products or production technologies and adversely affect our business and our reputation. Protection of intellectual property rights in PRC is different from other jurisdictions, our efforts to protect our intellectual property may not be adequate, and we may be unable to identify any unauthorized use of our intellectual property or to take appropriate steps to enforce our rights on a timely basis.

We are not aware of any material infringement of our intellectual property rights or other forms of legal protection. There is no assurance, however, that our intellectual property or other rights available under PRC law will not be misappropriated or infringed in the future. In the event that any misappropriation or infringement occurs, we may need to protect our intellectual property or other ownership rights through litigation. We may face intellectual property infringement claims by third parties.

Third parties, including our competitors, may make claims or initiate litigation seeking to establish their patent, copyright, trademark and other intellectual property rights in products, technologies and trade names that are relevant to our business. The risk of us being subject to such claims will increase as we continue to expand and diversify our product lines. Because patent applications are confidential, and many new patent

applications are currently under review in China, we may be unable to determine whether any of our products, their production technologies or means of use, or their design and appearance infringe, or will infringe, upon the patent rights of others.

Regardless of the merits of the claims and/or litigation, they may divert our management's attention from our business operation and result in significant legal costs. If any intellectual property infringement claim made against us is successful, we may be required to obtain licences from the claimants in order to continue selling the products subject to such infringement claims. However, such licences may not be available on commercially reasonable terms or at all. Further, we may be forced to discontinue production of the relevant products and may be required to pay compensation for the alleged infringement. In addition, the outcome of any litigation is uncertain. Any infringement of our intellectual property rights may impair the market value of our production technology and our pharmaceutical products, damage our reputation and adversely affect our business and operational results.

Non-compliance with the social insurance and housing fund contribution regulations in the PRC could lead to imposition of penalties or other liabilities.

Our subsidiaries in the PRC, are required to make social insurance contributions for the benefit of their respective employees under the relevant PRC laws and regulations. During the Track Record Period from January 2007 to April 2009, we have not made social insurance contribution to the local insurance bureau in Shenzhen for certain employees who do not ordinarily reside in Shenzhen. During the Track Record Period, we have not made social insurance and housing fund contributions to the local social insurance bureau and local housing fund management centre of Ningbo for certain employees who do not ordinarily reside in Ningbo. Instead, agreements were entered into with such employees to the effect that payments were made directly to such employee who have opted to make such payments to the relevant local social insurance bureaus or local housing fund management centre outside of Shenzhen or Ningbo by themselves. Since May 2009, we have engaged a human resources consultant company to administer the making of the social insurance contributions with the relevant local social insurance bureau outside of Shenzhen at the choice of the employees of Shenzhen Lansen on behalf of Shenzhen Lansen. Since March 2010, we have made direct payment of the social insurance contributions to Ningbo insurance bureau for all of the employees in Ningbo.

As at the Latest Practicable Date, we have not received any notice from the social insurance bureau and local housing fund management centre regarding any non-compliance with the social insurance and housing fund contributions regulations. Assuming that all of our existing employees who have opted to make social insurance by themselves for the relevant period did not make the contributions themselves, we may be liable for the outstanding amounts of social insurance and housing fund contributions in relation to such employees. As at the Latest Practicable Date, we have not received any notice from relevant authorities demanding for the relevant outstanding payment. However, in the event that we fail to pay any outstanding contribution pursuant to any notice issued by the social insurance bureau, we could be ordered to make the outstanding contributions and be subject to penalties for late payment. If the Group did not pay the relevant social insurance

and housing fund contributions within the prescribed time limits required by the relevant authorities, the maximum possible penalties would be calculated at 0.1% (in case of housing fund) or 0.2% (in case of social insurance) per day of the outstanding amount. If we continue to fail to make contributions, we may be found liable to pay medical expenses and other compensation for personal injuries. Since we have not received any notice issued by the social insurance bureau, we are not being held liable for any late payment of social insurance and housing fund contributions as at the Latest Practicable Date. The Group has made provisions in the amount of approximately RMB3.3 million (equivalent USD0.5 million) as at 31 December 2009, for the maximum potential underpayment of social insurance premiums.

We may be subject to losses that might not be covered in whole or in part by our insurance coverage.

Our business, operational results and financial conditions may be adversely affected due to the occurrence of typhoons, earthquakes, floods, diseases, plagues, droughts, fire, acts of terror or other natural disasters or similar events at our production facilities or sources of raw materials for our products. Should an accident occur, it may cause significant property damage and personal injuries. We do not carry any business interruption insurance or third party liability insurance for environmental damage arising from accidents at our production facilities. In addition, there are certain types of losses, such as 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. Should an uninsured loss or a loss in excess of insured limits occur, we could suffer financial losses, as well as damage to our reputation, lose all or a portion of the production capacity, as well as future revenue anticipated to be derived from the manufacturing activities conducted at that property. Any material uninsured loss could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE PHARMACEUTICAL BUSINESS

Our pharmaceutical business is closely supervised and regulated, which limits our flexibility in setting product prices and in managing our operations.

As the pharmaceutical industry is supervised and regulated closely by the PRC Government and also subject to extensive government regulations, our operations are constrained in many ways. All pharmaceutical distribution, retail and manufacturing companies in China are required to obtain certain permits and licences from various PRC governmental authorities, including GMP, certifications for manufacturing operations and GSP, certifications for wholesale and retail distribution operations. We have obtained permits, licences and GMP certifications required for the manufacture of our pharmaceutical products. In addition, we have obtained GSP certifications for the distribution of our products. These permits and licences held by us are generally valid for a maximum period of five years and subject to periodic renewal and/or reassessment by the relevant PRC Government authorities and the standards of such renewal or reassessment may change from time to time. We intend to apply for the renewal of these certifications when required by applicable laws and regulations. Any failure by us to obtain and maintain

all licences, permits and certifications necessary to carry on our business at any time could have a material adverse effect on our business, financial condition and results of operations. In addition, any inability to renew these permits, licences and certifications could severely disrupt our business, and prevent us from continuing to carry on our business. Any changes in the standards used by governmental authorities in considering whether to renew or reassess our business licences, permits and certifications, as well as any enactment of new regulations that may restrict the conduct of our business, may also decrease our revenues and/or increase our costs, and materially reduce our profitability and prospects. Further, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect requiring us to obtain any additional permits, licences or certifications that were previously not required to operate our existing businesses, we cannot assure you that we may successfully obtain such certifications.

In China, regulations and policies relating to the pharmaceuticals industry change from time to time. Our pharmaceutical production facilities in China have generally been able to meet the required standards, we cannot assure you that this will continue to be the case. If we fail to comply with the latest standards, our pharmaceutical business may be adversely affected. In addition, we cannot assure you that the PRC Government will continue to adopt policies supporting the pharmaceutical industry.

Our flexibility to raise or set prices may be limited by state-imposed price controls measures.

Many of our pharmaceutical products are subject to price controls in China, which typically involve the imposition of retail price ceilings. The nature and scope of price controls may be varied by the PRC Government from time to time. Please refer to section headed "Industry Overview — Price Control" in this prospectus for further details. During the three years ended 31 December 2007, 2008 and 2009, approximately 78.8%, 79.3% and 75.0% respectively of our revenue was derived from sales of pharmaceutical products that were subject to price controls. During the Track Record Period, the price ceilings in respect of Pafulin, Jinlang and Yisuojia have been adjusted downward and the price ceiling in respect of Tuoshu has been adjusted upward. We cannot assure you that the PRC Government will not further expand the list of our products subject to price control, further lower the price ceilings or strengthen the existing price control measures. If such changes take place, our business may be adversely affected.

Effect of China healthcare reform on pharmaceutical industry.

The healthcare system in China has undergone and evolved over various stages of reform since the Chinese Communist Party took control of the country in 1949 and is still in the progress of undergoing further reform. On 21 January 2009, the Chinese government announced that it expects to spend RMB850 billion (equivalent to approximately USD124 billion) on healthcare reform in China in the next three years and highlighted five focus areas, including: (1) to expand basic healthcare insurance programs including to insure 90% of its urban workers, residents and rural residents by 2011, and to increase government contribution to rural residents and urban non-employed population from current RMB40–80 (equivalent to approximately USD6–12) per person to RMB120 (equivalent to approximately USD18) per person; (2) to establish an Essential Drug List (EDL), and

more importantly, an EDL implement system that would ensure quality supply of these drugs at an affordable pricing to its people, especially its rural residents; (3) to improve the basic medical system with an emphasis on third and fourth tiers hospitals, township medical centres, remote area village clinics, and low-income region city community medical centres; (4) to promote public medical service parity and establish a nationwide standard "health record" for the entire population; and (5) to reform public hospitals.

While the overall view of such reform is positive for the pharmaceutical industry in China, there may be negative effects as follows: (1) Execution risk: the anticipated spending may be slower and it may be more time consuming and requires larger amount of funding than it was announced; (2) Sufficiency of funding: the amount of RMB850 billion (equivalent to approximately USD124 billion) requires 75% to be financed by local government; (3) Reduction in prices: centralised procurement through EDL may lead to reduction in prices of drugs but may be compensated by increased sale volume; and (4) Favouring larger companies: such reform may favour larger pharmaceutical companies with more drug products and resources in comparison with smaller companies.

We may incur losses leading to substantial damages resulting from product liability, personal injury or wrongful death claims.

We are exposed to risks inherent in the manufacturing, packaging, marketing and distribution of pharmaceutical products, such as unsafe, ineffective or defective products, the improper filling of prescriptions, labelling of prescriptions and adequacy of warnings and unintentional distribution of counterfeit medicines. In the event that the use or misuse of our products result in personal injury or death, we may be subject to product liability claims in respects of our products. The Product Quality Law of the PRC (中華人民共和國質量法) was enacted in 1993 and amended in 2000 to strengthen quality control of products and protect consumers' rights. This law states that manufacturers producing defective products can be liable for criminal liability and revocation of business licencees. In the event that the use or misuse of our products results in personal injury or death, we may be subject to criminal liability and revocation of business licence.

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 31 October 1993 and enacted from 1 January 1994 which protects consumers' rights when they purchase or use goods and accept services. Business operators will assume criminal liability if their goods or services lead to death of customers, claims may be brought against us for damages and the PRC Government may close down our related operations. In this respect, product liability insurance for pharmaceutical products is not available in the PRC. We cannot assure you that such claims will not arise in future. In the event of allegations that any of our products are harmful, we may experience reduced consumer demand for products manufactured by us or these products may be recalled from the market. Any claims against us, regardless of their merit, could materially and adversely affect our business, operational results and financial condition, because litigation related to these claims would strain our administrative and financial resources in addition to consuming the time and attention of

our management. If any claims against us were to prevail, we may incur monetary liabilities, and the reputation of our business, operational results and financial conditions may be damaged.

Some of our products under development must undergo a clinical trial process before they can be introduced into the market for commercial sale.

Generally, we must provide regulatory authorities with clinical data that demonstrates the safety and efficacy of our products under development in order to obtain approval for their commercial sale. The clinical trial process, which involves preclinical testing and clinical development, and may involve a length of time to complete and the outcome of such process is uncertain.

Product testing can fail at any stage of the clinical trial. It is not unusual for companies to suffer significant setbacks in advanced clinical trials, even after promising results in earlier trials. Preclinical and clinical data can be interpreted in different ways, which could delay, limit or prevent further testing or regulatory approval.

Further, the duration of a clinical trial generally varies substantially with the type, complexity, novelty and intended use of the product. Clinical trials may be delayed or need to be repeated for many reasons. If we are unable to procure sufficient number of patients in the clinical trial program as scheduled or at all, we may experience delays in introducing such new product for commercial sale and suffer from loss of sales from such delay. Further, our clinical trials may be suspended at any time if we or the regulatory authorities believe the patients participating in our studies are exposed to unacceptable health risks, in which case revenue expected to be derived from the new product may never materialised.

We cannot assure you that planned clinical trials will begin on time or whether any of our clinical trials will be completed on schedule, or at all. If the delays are significant, the commercial prospects for some of our products will be diminished, which will adversely affect the results of our business, operations results and financial conditions.

The pharmaceutical industry is extremely competitive.

Our business is subject to competition from other pharmaceutical manufacturers. Chinese and international pharmaceutical manufacturers engaged in the manufacture and sale of substitute or similar products to ours in China may have more capital resources, better research and development capabilities and more experience in manufacturing and marketing. Many of our competitors, including large pharmaceutical companies and other pharmaceutical manufacturers, have employed various strategies intended to maximize their market share for previously-patented products. Competition is likely to intensify if (i) the number of manufacturers or distributors of substitute or similar products increases due to increased market demand or increased prices; (ii) competitors drastically reduce prices due to oversupply of products; or (iii) competitors develop new products or substitute products having comparable medicinal applications or therapeutic effects that may be used as direct substitutes for our products which are more effective with prices comparable to or lower than our products. If any of the above occurs, our business, operational results and financial conditions may be adversely affected.

Rapid changes in the pharmaceutical industry may render our products obsolete.

The pharmaceutical industry is characterized by rapid changes in technology, constant enhancement of industrial know-how, and frequent emergence or development of new products. Future technological improvements, enhancement of industrial know-how and continual product developments in the pharmaceutical market may render our existing products obsolete or affect our viability and competitiveness. Therefore, our future success will largely depend on our ability to improve our existing products, diversify our product portfolio and develop new and competitively priced products which meet the requirements of the constantly changing market and are effective in treating new disease or illness. If we fail to respond to emerging diseases or illnesses and frequent technological advances by improving our existing products or developing new products in a timely fashion, or these products do not achieve a desirable level of efficacy or market acceptance, our business, operational results and financial conditions may be adversely affected.

Corruptive practices in the pharmaceutical industry could adversely affect our sales and reputation.

Corruptive practices may exist in the pharmaceutical industry, including, among others, acceptance or giving of kickbacks or other illegal gains or benefits by or to the hospitals and medical practitioners from pharmaceutical distributors or manufacturers in connection with the prescription of a certain drug. In the event that our customers or our employees engage in such prohibited practices by giving kickbacks or other illegal gains or benefits to hospitals or medical practitioners to promote our products and the government takes enforcement actions against us, our customers or our employees, our products sold by our customers to the hospitals, medical institutions and pharmacies alleged to be involved in corruptive practices may be seized and our performance under existing contracts with such customers alleged to be involved in corruptive practices may be suspended pending government investigation into corruptive practices. If any of these events occurs, our business operational results, financial conditions and reputation may be adversely affected which could be material.

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

We are subject to the PRC laws and regulations concerning the discharge of effluent water and solid waste during our manufacturing processes. We are required to obtain certain clearances and authorizations from government authorities for the treatment and disposal of such discharge. Any violation of these regulations may result in substantial fines, criminal sanctions, revocation of operating permits, shutdown of our facilities and obligation to take corrective measures. Our cost of complying with current and future environmental protection laws and regulations, and liabilities which may potentially arise from the discharge of effluent water and solid waste, may adversely affect our business, operational results and financial condition and results of operations which could be material.

The government may take steps towards the adoption of more stringent environmental regulations and there is no assurance that we will be at all times in full compliance with these regulatory requirements. Due to the possibility of unanticipated regulatory or other developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any unanticipated change in the environmental regulations, we may need to incur substantial capital expenditures to install, replace, upgrade or supplement our pollution control equipment or make operational changes to limit any adverse impact or potential adverse impact on the environment in order to comply with new environmental protection laws and regulations. If such costs become prohibitively expensive, we may be forced to modify, curtail or cease certain of our business operations.

RISKS RELATING TO THE PRC

All our assets, business and operations are located in the PRC and a substantial portion of our revenue are derived from our operations in the PRC. As a result, our assets, business and operations are subject to significant economic, political, legal, social and other uncertainties associated with doing business in the PRC, which are discussed in more detail below.

We may be adversely affected by the recent economic turmoil in the world.

The recent economic turmoil during the second half of the financial year ended 31 December 2008 which can be reflected by the credit tightening, the increased unemployment rate and the liquidity problems of financial institutions, have adversely affected the U.S. and the world economies. With a deteriorating worldwide economy, demand for pharmaceutical products may diminish, which in turn will affect the demand for our products in the PRC. In addition, the credit tightening environment may aggravate the interest expenses on our bank borrowings, or the banks may even reduce the amount of or discontinue the banking facilities currently granted to us. If the economic downturn continues, our business, operational results and financial condition may be adversely affected.

Downturns in China's economy may adversely affect our business, operational results and financial condition.

A substantial portion of our revenue is derived from sales in China. We therefore depend heavily on the general economic condition in China for our continued growth. The Chinese economy has grown significantly in recent years, we cannot assure you that the economy will continue to grow, or that its growth will be steady or occur in geographical regions or economic sectors from which we benefit. A downturn in China's economic growth or a decline in its economic condition may adversely affect our business, operating results and financial condition.

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

The PRC's economy differs from the economies of most developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented measures emphasizing market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in the PRC are still owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue a consistent policy of economic reform.

Our business, operations and financial results could also be adversely affected by changes in economic, political, legal and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). For example, the PRC government may decide to change its current policies with respect to the healthcare reform. Delays in production due to regulatory restrictions or other factors could have a material adverse impact on our business.

The retail prices of certain of our products are subject to control, including periodic downward adjustment, by PRC government authorities which could have a material adverse impact on our business, and as such, this could have an adverse impact on the results of our operations. Our operations and financial results could also be adversely affected by changes in measures which might be introduced to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion and the imposition of additional import restrictions. Our business may also be affected by PRC government policies on the development of Zhejiang province, and PRC government policies and regulations relating to the pharmaceutical industry. Please refer to the section headed "Regulation — Distribution of Pharmaceutical Products" in this prospectus for the relevant current regulatory environment in the PRC. There is no guarantee that such PRC government policies and regulations would not change in the future.

The PRC legal system is not fully developed and has inherent uncertainties which could limit the legal protections available to us and adversely affect our operations.

Our Company is an exempted company incorporated with limited liability under the laws of the Cayman Islands, all of our operations are conducted through our subsidiaries which are organized under PRC laws in China. The PRC legal system is based on written statutes. Since the late 1970s, the PRC has promulgated laws and regulations dealing with economic matters, such as the issuance and trading of securities, shareholder rights, foreign investment, corporate organization and governance, commerce, taxation and trade. However, many of these laws and regulations are relatively new and will continue to

evolve, are subject to different interpretations and may be inconsistently enforced. In addition, there is only a limited volume of published court decisions which may be cited for reference and in any case, such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation of PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protection that are available to you and can adversely affect the value of your investment in our Shares. In addition and depending on the government agency or how an application or a case is presented to such agency, we may receive less favourable interpretations of law than our competitors. In addition, any litigation in China may be protracted and result in substantial legal costs and diversion of resources and management attention.

Fluctuations in the exchange rates of the Renminbi may adversely affect our operations results and financial condition and your investment.

The value of the RMB against other foreign currencies is subject to changes in the PRC Government's policies and international economic and political developments. Under the unified floating exchange rate system, the conversion of RMB into foreign currencies, including Hong Kong and US dollars, has been based on rates set by the PBOC, which have generally been stable. However, the PRC Government reformed the exchange rate regime on 21 July 2005 by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. As a result, the RMB appreciated against the Hong Kong and US dollars by approximately 2.0% on the same date. On 23 September 2006, the PRC Government widened the daily trading band for RMB against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system.

There has been pressure from foreign countries on the PRC recently to adopt a more flexible currency system that could lead to further appreciation of the RMB. The RMB may be revalued further against the US dollar or other currencies or may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the RMB against the US dollar or other currencies. It is uncertain if the exchange rates of Hong Kong and US dollars against RMB will further fluctuate. Any appreciation of the RMB may subject us to increased competition from imported pharmaceutical products. Also, since our revenues and profit are denominated in RMB, any depreciation of RMB would materially and adversely affect our financial position and the value of, and any dividends payable on, our Shares in foreign currency terms, as well as our ability to service any of our foreign currency obligations.

PRC Government control over currency conversion may limit our ability to use our cash effectively.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of foreign currencies out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distribution, interest payments and operation-related expenditure, may be made in foreign currencies without prior approval from State Administration of Foreign

Exchange ("**SAFE**") by complying with certain procedural requirements. Strict foreign exchanges control continues to apply to capital account transactions. These transactions must be approved by or registered with SAFE, repayment of loan proposal, distribution of return on direct capital investments and investments in negotiable instruments are also subject to restrictions. We cannot give any assurance that we will be able to meet all of our foreign currency obligations or to remit profit out of the PRC. If our subsidiaries are unable to obtain SAFE approval or if future changes in relevant regulations were to place restrictions on the ability of the subsidiaries to remit dividend payments to our Company, our Company's liquidity and the ability to satisfy its third party payment obligations and its ability to distribute dividends in respect of the Share could be materially and adversely affected.

Recent PRC regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and adversely affect the implementation of our acquisition strategy as well as our business and prospects.

The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision) (《關於外國投資者併購境內企業的規定》（二零零六年修訂本）) (the "**M&A Provisions**") issued by six PRC ministries including the MOFCOM, effective from 8 September 2006, provide the rules with which foreign investors must comply should they seek to purchase by agreement the equities or assets of a domestic non-foreign-invested enterprise or subscribe to the increased capital of a domestic non-foreign-invested enterprise, and thus change the domestic non-foreign-invested enterprise into a foreign-invested enterprise upon completion of such an acquisition or investment. The M&A Provisions stipulate that the business scope upon acquisition of domestic enterprises must conform to the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄) issued by the National Development and Reform Commission of the PRC (中國國家發展和改革委員會) and the MOFCOM jointly, which broadly categorized different industries into Encouraged, Allowed, Restricted and Prohibited categories and subject to update from time to time. The M&A provisions also provide for takeover procedures for the acquisition of equity interests in domestic enterprises.

There are uncertainties as to how the M&A Provisions will be interpreted or implemented. If we decide to acquire a PRC company in the future, we cannot assure you that we or the owners of such PRC company can successfully complete all necessary approval requirements or procedures under the M&A Provisions. This may restrict our ability to implement our expansion and acquisition strategy and could materially and adversely affect our future growth.

Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options and restricted share units may subject such employees or us to fines and legal or administrative sanctions

Pursuant to the Implementation Rules of the Administration Measure for Individual Foreign Exchange (個人外匯管理辦法實施細則) issued by SAFE on 5 January 2007, the Administration Measure for Individual Foreign Exchange (個人外匯管理辦法) issued by SAFE on 25 December 2006 and Operation Rules on the Foreign Exchange Administration

of the Participation of Domestic Individuals in Overseas Listed Companies' Employee Stock Ownership Plans and Share Option Schemes (境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程) issued by SAFE on 28 March 2007, PRC citizens who are granted shares or share options by an overseas listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company or other qualified PRC agents, to register with SAFE and complete certain other procedures related to the share option or other share incentive plan. Foreign exchange income from the sale of shares or dividends distributed by the overseas listed company may be remitted into a foreign currency account of such PRC citizen or be exchange into RMB. In addition, the overseas listed company or its PRC subsidiary or other qualified PRC agent is required to appoint an asset manager or administrator, appoint a custodian bank and open dedicated foreign currency accounts to handle transactions relating to the share option scheme or other share incentive plan. Our Company and our PRC citizen employees who will be granted share options will be subject to these rules upon the Listing. If our Company or our PRC citizen employees fail to comply with these rules in the future, our Company or our PRC citizen employees may be subject to fines and other legal or administrative sanctions. Please also refer to the paragraph headed "Regulation — Regulations Relating to Employee Share Options" in this prospectus.

We may be deemed a PRC resident enterprise under the new PRC Enterprise Income Tax Law and be subject to the PRC taxation on our worldwide income.

Under the new PRC Enterprise Income Tax Law (中華人民共和國企業所得税法) and its implementation rules which took effect on 1 January 2008, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. Under the implementation regulations of the new PRC Enterprise Income Tax Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Substantially all of our management is currently based in China, and may remain in China. Therefore, we may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. The tax consequences of such treatment are currently unclear, as they will depend on the implementation regulations and on how local tax authorities apply or enforce the new PRC Enterprise Income Tax Law and the implementation regulations.

Changes in or discontinuation of the favorable tax treatments in PRC currently available to us could reduce our profitability.

Under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) which was promulgated on 16 March 2007, income tax rates applicable to both domestic and foreign-invested enterprises were unified at 25% effective from 1 January 2008. According to Circular of the State Council on the Issues Concerning Carrying out the Transitional Preferential Policies on Enterprise Income Tax (Guo Fa (2007) No. 39) (國務院關於實施企業所得税過渡優惠政策的通知(國發(2007)39號)), enterprises which enjoyed income tax rates of lower than the standard rate of 33% are given a five-year transitional

period. Such enterprises will continue to enjoy the lower tax rate before they are gradually subject to the tax rate of 25% within the transitional period. In particular, enterprises which were subject to an income tax rate of 15% would be subject to an income tax rate of 18% in 2008, increasing to 20% in 2009, 22% in 2010, 24% in 2011, and 25% in 2012. Enterprises which are enjoying two years of 100% exemption and three years of 50% reduction on tax payments may continue to enjoy such exemption and reduction until the term of such privilege expires except, in the case of enterprises which has not been able to enjoy such exemption and reductions due to lack of profit, then such exemption and reduction will be deemed to have commenced on 1 January 2008. Our Group is currently enjoying the above favourable tax treatments available to us. Please refer to the section headed "Financial Information — Taxation" of this prospectus for further details of such favourable tax treatment available to us. Any change or discontinuation or non-renewed of such favorable tax treatments could adversely affect our profitability.

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

Under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) and its implementation regulations issued by the State Council which took effect on 1 January 2008, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (which do not have an establishment or place of business in China, or have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) to the extent such dividends are sourced within China. Similarly, any gain realized on the transfer of Shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within China. The investors who are established in Hong Kong and are considered non-resident enterprises by the PRC tax authority are subject to a PRC withholding tax at a rate of 5%. If we are considered a PRC "resident enterprise", it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realize from the transfer of the Shares, would be treated as income derived from sources within China and be subject to PRC tax. If we are required under the new PRC Enterprise Income Tax Law to withhold PRC income tax on our dividends payable to our foreign shareholders, or if you are required to pay PRC income tax on the transfer of the Shares, the value of your investment or return on your investment in our Shares may be materially adversely affected.

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

We are a holding company incorporated under the laws of Cayman Islands, with limited liability. All of our business operations are conducted through our subsidiaries in the PRC. Our ability to pay dividends to our Shareholders is dependent upon the earnings of our subsidiaries in the PRC and their distribution of funds to us, primarily in the form of dividends. The ability of our subsidiaries in the PRC to make distributions to us depends upon, among other things, their distributable earnings. Under the PRC law, payment of dividends is only permitted out of accumulated profits according to PRC accounting standards and regulations, and our subsidiaries in the PRC are also required to set aside

part of its after-tax profits to fund certain reserve funds that are not distributable as cash dividends. Other factors such as cash flow conditions, restrictions on distributions contained in our PRC subsidiaries' articles of associations, restrictions contained in any debt instruments, withholding tax and other arrangements will also affect the ability of our subsidiaries in the PRC to make distributions to us. These restrictions could reduce the amount of distributions that we receive from our subsidiaries in the PRC, which in turn would restrict our ability to pay dividends on the Shares.

Unexpected business interruptions resulting from natural disasters, terrorist acts or power shortages could affect our business.

An outbreak of avian flu, severe acute respiratory syndrome ("**SARS**") or any epidemic, or increase in the severity of any such epidemic may, depending on their scale of outbreak, may lead to serious disruption to the public and materially adversely affect the national and local economies in the PRC. Upon such outbreak, especially in the cities where we or our suppliers or our customers have operations, may lead to quarantines, temporary closures of offices and manufacturing or other facilities, travel restrictions or the sickness or death of key personnel causing material disruptions to our operations, which in turn may adversely affect our operations and business.

Acts of God and act of war (such as terrorist attacks) and any other disasters may cause damage or disruption to us, our employees, our markets, our customers and suppliers, any of which could materially impact our operations and financial condition. Overall, act of god, acts of war epidermis and other disasters may cause our business to suffer in ways that we cannot predict.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our officers.

Substantially all of our assets are located within China. In addition, most of our Directors and officers are residents of China with their assets which may also be located in China. As a result, it may not be possible to effect service of legal process upon us or our Directors and officers in China. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the United States, the United Kingdom, Japan or most other western countries. Therefore, it may be difficult for you to enforce against us and our Directors and officers in China any judgments obtained from non-PRC courts.

The implementation of the new labour contract law and increase in labour costs in the PRC may adversely affect our business and our profitability.

A new labour contract law became effective on 1 January 2008 in China. It imposes more stringent requirements on employers in relation to entry into fixed term employment contracts and dismissal of employees. In addition, under the newly promulgated Regulations on Paid Annual Leave for Employees (職工帶薪休假條例), which also became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the

request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. As a result of the new law and regulations, our labor costs may increase. We cannot assure you that any disputes, work stoppages or strikes will not arise in the future. Increases in our labor costs and future disputes with our employees could adversely affect our business, financial condition or results of operations.

We may face greater competition as a result of China's entry into the WTO.

China has become a member of the WTO in December 2001. As a result of such entry, we expect an increasing number of international companies to engage in businesses that compete with our businesses. Some of these companies may enjoy competitive advantages in scale, financial resources, brand and management techniques. We may find it more difficult to leverage our competitive strengths in the business sectors in which we operate or intend to operate.

RISKS RELATING TO OWNERSHIP OF SHARES

There has been no prior public market for the Shares.

Before the Share Offer, there was no public market for the Shares. Whilst we have applied for the Shares to be listed on the Stock Exchange, we cannot assure you that an active public market for the Shares will develop. The Offer Price of the Offer Shares to be determined by agreement amongst our Company (for itself and on behalf of the selling Shareholders) and the Sole Lead Manager (for itself and for and on behalf of the Underwriters) may not be indicative of prices that will prevail in the trading market.

The trading price of the Shares may be volatile which could result in substantial losses for investors purchasing Offer Shares in the Share Offer.

Following the Share Offer, the market price of our Shares may fluctuate substantially as a result of, amongst other things, the following factors, some of which are beyond our control:

- variations of the results of our operations;
- changes in securities analysts' estimates of our financial performance;
- investors' perceptions of the Group and the general investment environment;
- changes in policies and developments related to the industry in which we operate;
- changes in pricing policies adopted by us or our competitors;
- announcement of significant acquisitions, strategic alliance or joint ventures;
- fluctuations in stock market prices and trading volume;
- involvement in litigation;

- any unexpected business interruptions resulting from natural disasters or power shortages;
- liability claims brought against us based on matters such as product liability and liability for adverse medical events in clinical trials;
- our forced discontinued sale of our products;
- our ability to obtain or maintain regulatory approval of our products;
- major changes of key personnel or senior management; and
- general, political, economic, financial, social development and stock market conditions.

Moreover, in recent years, stock markets in general, and the shares of companies with substantial operations in China in particular, have experienced price and volume fluctuations, some of which were unrelated or did not fully correspond to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of our Shares.

Future sale of the Shares or major divestment of Shares by any major shareholder could adversely affect the Share price.

The sale of a significant number of Shares in the public market after the Share Offer, or the perception that these sales may occur, could adversely affect the market price of Shares. Except as otherwise described in the paragraph headed "Undertakings" under the section headed "Underwriting" in this prospectus, there are no restrictions imposed on the Controlling Shareholder to dispose of its shareholdings. Any major disposal of Shares by any of the major Shareholders may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise capital.

Investors in the Share Offer may experience dilution if we issue additional Shares in the future.

The Offer Price is higher than the net tangible asset value per Offer Share immediately prior to the Share Offer. Hence, purchasers of our Offer Shares in the Share Offer will experience an immediate dilution in the net tangible asset value, and our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share in their Shares. If the Underwriters exercise the Over-allotment Option, holders of our Shares may experience a further dilution of their interest. In addition, in order to expand our business, we may consider offering and issuing additional Shares in the future. Investors of our Shares may experience dilution in the net tangible asset book 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 book value per Share.

The interests of our Controlling Shareholder may not always coincide with our interests and those of our other shareholders.

Immediately upon the completion of the Share Offer, we anticipate that our Controlling Shareholder will indirectly own, in the aggregate, approximately 52.46% of our Shares (assuming the Over-allotment Option is not exercised). Therefore, the Controlling Shareholder will be in a position to control matters requiring approval by Shareholders and thereby exercise significant influence over the operations and business strategy of our Company, and may have the ability to require us to effect corporate transactions irrespective of the desires of our other Shareholders. The interests of our Controlling Shareholder may not always coincide with our or your best interests. If the interests of our Controlling Shareholder conflict with the interests of our Company or our other Shareholders, or if our Controlling Shareholder choose to cause our business to pursue strategic objectives that conflict with the interests of our Company or our other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

We cannot assure you that we will declare dividends in the future.

During the three years ended 31 December 2007, 2008 and 2009, Lansen Pharmaceutical BVI declared dividends amounting to approximately USD1.6 million, USD2.5 million and USD6.6 million to the then shareholders respectively. The Company also declared a dividend of approximately USD5.39 million to its then Shareholders in April 2010, and we will distribute such dividend upon or before the Listing. For further details of our dividend policy, please refer to section headed "Financial Information — Dividend Policy." There is no assurance that further dividends will be declared or paid in an amount equivalent to or exceeding historical dividends declared or at all. Therefore, investors are cautioned not to use historical dividends as an indication of the amount of future dividends to be declared or paid. The declaration, payment and amount of any further dividends are subject to the discretion of our Directors depending on, amongst others, our earnings, financial condition, cash requirements, our profit, provisions governing the declaration and distribution as contained in our Memorandum and Articles of Association, applicable law and other relevant factors.

RISKS RELATING TO THE SHARE OFFER

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

Facts, forecasts and other statistics in this prospectus relating to the PRC, the PRC economy and the PRC pharmaceutical industry have been derived from various official government publications. However, there can be no assurance as to the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Selling Shareholders, the Sole Sponsor, the Underwriters or any of our or their respective affiliates, directors or advisors and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics contained in such official government publications.

In all cases, investors should give consideration as to how much weight or importance they should attach or place on such facts, forecasts or statistics.

Forward-looking information contained in this prospectus may prove inaccurate.

This prospectus contains certain statements that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "expect", "estimate", "may", "ought to", "should" and "will". These statements include, among other things, the discussion of our business strategy and the expectations of our future operations, liquidity and capital resources. Purchasers and subscribers of our Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. You should not place undue reliance on such forward-looking information.

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions of the pharmaceutical industry in China and the world;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the market in which we operate;
- our ability to reduce costs;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this prospectus that are not historical facts.

In some cases, we use the words "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "plan", "potential", "predict", "project", "seek", "should", "will", "would", and similar expressions to identify forward-looking statements.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. We undertake no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that an issuer must have sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive Directors must be ordinarily resident in Hong Kong. Since most of our operations will be in China, we will not, after Listing or in the foreseeable future, have management presence in Hong Kong. Currently, all of our executive Directors reside in China. We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver under Rule 8.12 of the Listing Rules.

The arrangements proposed by us for maintaining regular communications with the Stock Exchange for the purpose of Rule 8.12 of the Listing Rules are as follows:

1. Other than Mr. Robert Peter Thian and Ms. Tao Fang Fang, all other non-executive Directors are ordinarily residents in Hong Kong.

2. We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will set as our principal communication channels with the Stock Exchange; the two authorized representatives are Ms. Yip Pui Ling, Rebecca (a non-executive Director) and Mr. Chan Sheung Chi (the company secretary of the Company) and each of them is an ordinary resident in Hong Kong.

3. The authorized representatives of the Company have the telephone and fax numbers and e-mail addresses of all the Directors and are able to contact all the Directors promptly at all times as and when the Stock Exchange wishes to contact them on any matter, and in the event that a Director expects to travel and be out of office, he or she will have to provide phone number of place of his or her accommodation or means of communication to the authorized representatives. All Directors will provide their mobile numbers, office phone numbers, facsimile numbers and email addresses to the Stock Exchange.

4. The authorized representatives of the Company will act as the principal channel of communication between us and the Stock Exchange. They will provide their usual contact details to the Stock Exchange and will be readily contactable by the Stock Exchange, if necessary, to deal with enquiries from the Stock Exchange from time to time.

5. All the Directors (including the independent non-executive Directors) will be readily contactable by the Stock Exchange, all the Directors (including the independent non-executive Directors) who are not ordinary resident in Hong Kong possess valid travel documents to travel to Hong Kong and will be available to meet with the Stock Exchange in short notice.

6. We will retain a compliance advisor acceptable to the Stock Exchange pursuant to Rule 3A.19 of the Listing Rules, for the period commencing on the Listing Date and ending on the day on which we comply with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer. For applicants under the Public Offer, this prospectus and the Application Forms contain the terms and conditions of the Public Offer. The Share Offer comprises the Public Offer of initially 14,135,000 Shares and the Placing of initially 127,215,000 Shares (subject, in each case, to reallocation on the basis described in the section headed "Structure of the Share Offer" in this prospectus).

The Listing is sponsored by Piper Jaffray Asia as Sole Sponsor. The Public Offer is underwritten by the Public Offer Underwriters. The Placing is managed by the Sole Bookrunner and is underwritten by the Placing Underwriters. The Underwriting Agreements are subject to agreement on the Offer Price between the Company, the Selling Shareholders and the Sole Lead Manager, on behalf of the Underwriters. If, for any reason, the Offer Price is not agreed between the Company (for itself and on behalf of the Selling Shareholders) and the Sole Lead Manager, on behalf of the Underwriters, the Share Offer will not proceed. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Lead Manager (on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholders) on or around Friday, 30 April 2010, and in any event no later than Monday, 3 May 2010.

If the Sole Lead Manager (on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholders) are unable to reach an agreement on the Offer Price on Monday, 3 May 2010 (Hong Kong time), or such later date or time as may be agreed between the Sole Lead Manager (on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholders), the Share Offer will not proceed, subject to the Underwriting Agreements.

RESTRICTIONS ON SALE OF SHARES

No action has been taken to permit a public offer of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes 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. Each person acquiring the Public Offer Shares under the Public Offer will be required to confirm, or be deemed by his acquisition of Public Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and representations made in this prospectus and the Application Forms, and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by the Company, the Selling Shareholders, the Sole Sponsor, the Sole Lead Manager, the Underwriters, any of their respective directors or any other persons or parties involved in the Share Offer.

United Kingdom

This prospectus does not constitute a prospectus for the purpose of the prospectus rules issued by the United Kingdom Financial Services Authority ("**FSA**") pursuant to section 84 of the Financial Services and Markets Act 2000 (as amended) ("**FSMA**") and has not been approved by or filed with the FSA. The Offer Shares may not be offered or sold and will not be offered or sold to the public in the United Kingdom (within the meaning of section 102B of the FSMA) save in circumstances where it is lawful to do so without an approved prospectus (within the meaning of section 85 of FSMA) being made available to the public before the offer is made. In addition, in the United Kingdom, this prospectus is being solely issued to persons who are: (i) qualified investors within the meaning of FSMA and/or (ii) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "**FPO**"); or (iii) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in article 49(2)(a) to (d) of the FPO or (iv) a person to whom it may otherwise lawfully be issued. Any investment or investment activity to which this prospectus relates is only available to and will only be engaged in with such persons and any person who does not fall within (i) to (iv) above should not rely on or act upon this prospectus.

Singapore

This prospectus has not been and will not be lodged with and registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the Share Offer may not be issued, circulated or

distributed in Singapore, nor may any of the Offer Shares be offered for subscription or purchase, whether directly or indirectly, nor any invitation or offer to subscribe for or purchase any Offer Shares be made, whether directly or indirectly, to any person in Singapore, other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

PRC

This prospectus has not been and will not be circulated or distributed in the PRC and the Offer Shares may not be offered or sold directly or indirectly to any resident of the PRC, or offered or sold to any person for re-offer or re-sale directly or indirectly to any resident of the PRC, except pursuant to applicable laws and regulations of the PRC. For the purposes of this paragraph, PRC does not include Hong Kong, Macau and Taiwan.

Taiwan

The Offer Shares have not been and will not be registered with the Securities and Futures Bureau of Taiwan and are not being offered for subscription or sold and may not be offered for subscription or sold, directly or indirectly, in Taiwan otherwise to, or for the benefit of, any resident of Taiwan, except (a) pursuant to the requirements of the securities related laws and regulations in Taiwan and (b) in compliance with any other applicable requirements of Taiwanese laws.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Share Offer and the exercise of the Over-allotment Option.

Save as disclosed herein, no part of the share or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Hong Kong Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer 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 the Company by the Stock Exchange.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Share Offer will be registered on the Company's share register of members to be maintained in Hong Kong by the Hong Kong Share Registrar.

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

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong share register of the Company, by ordinary post, at the Shareholders' risk, to the registered address of each shareholder of the Company, or if joint Shareholders, to the first-named therein according to the Articles.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and the Company's 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 date of commencement of dealings in the Shares on the Stock Exchange or any other date as HKSCC chooses. Settlement of transaction 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.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasized that none of the Company, the Selling Shareholders, the Sole Sponsor, the Sole Lead Manager, the Underwriters, any of their respective directors, supervisors, agents or advisors or any other person involved in the Share Offer accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of Shares.

OVER-ALLOTMENT AND STABILIZATION

In connection with the Share Offer, the Sole Bookrunner (on behalf of the Placing Underwriters) or any person acting for it may over-allot or effect transactions with a view to preventing a decline in the market price of the Shares for a limited period after the issue date. However, there is no obligation on the Sole Bookrunner or any person acting for it to do this. Such stabilization action, if taken, may be discontinued at any time and is required to be brought to an end after a limited period. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Share Offer, the Company intends to grant to the Sole Bookrunner (on behalf of the Placing Underwriters) the Over-allotment Option such that it may over-allocate or effect any other 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. The option will be exercisable in full or in part by the Sole Bookrunner (on

behalf of the Placing Underwriters) up to 30 May 2010, being 30 days after the last day for the lodging of applications under the Public Offer. Pursuant to the Over-allotment Option, the Company may be required to allot and issue up to 15,000,000 additional new Shares (representing 15% of the number of new Shares initially available under the Share Offer), in connection with over-allocations in the Share Offer, if any.

Further details with respect to stabilization and the Over-allotment Option are set out in the sections headed "Structure of the Share Offer — Over-subscription and the Over-allotment Option" and "Structure of the Share Offer — Stabilization" of this prospectus.

PROCEDURES FOR APPLICATION FOR SHARES

The procedures for applying for the Public Offer Shares are set out in the section headed "How to Apply for the Public Offer Shares" and on the relevant Applications Forms.

STRUCTURE OF THE SHARE OFFER

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

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into US dollars amounts or vice versa and Renminbi amounts into Hong Kong dollar amounts or vice versa at specified rates. You should not construe these translations as representations that Renminbi amounts could actually be converted into US/Hong Kong dollar amounts or vice versa at the rates indicated or at all. For the purpose of this prospectus, unless we indicate otherwise, the translations of Renminbi amounts into US dollar amounts have been made at the rate of RMB6.826 to USD1.00, with reference to the PBOC rate prevailing on 31 December 2009. The translations of US dollar amounts into Hong Kong dollar amounts have been made at the rate of USD1 to HK$7.78. No representation is made that the US dollar amounts have been, could have been, or could be converted to Hong Kong dollar, or vice versa, at that rate, or at any other rate at all.

ROUNDING

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

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Xu Jun (徐軍)	Flat 402, Block 39 1028 Beihuan Road Lowu District Shenzhen Guangdong Province PRC	Chinese
Mr. Liu Xiao Dong (劉曉東)	Flat 802, Block A1 1028 Beihuan Road Lowu District Shenzhen Guangdong Province PRC	Chinese
Non-executive Directors		
Mr. Stephen Burnau Hunt	10D, Alpine Court 12 Kotewall Road Mid-Levels Hong Kong	American
Mr. Lee Jin Yi (李晉頤)	63 Palm Drive Redhill Peninsula Tai Tam Hong Kong	Chinese
Mr. Tang Jun (湯軍)	9C, Greenwood Court Discovery Bay, Lantau Island New Territories Hong Kong	Chinese
Ms. Tao Fang Fang (陶芳芳)	14G, Block A Dushimingyuan, Shucheng Road Lowu District Shenzhen Guangdong Province PRC	Chinese
Ms. Yip Pui Ling, Rebecca (葉佩玲)	Flat A, 18/F, Lotus Mansion 6 Taikoo Wan Road Taikoo Shing Hong Kong	British

Name	Address	Nationality
Independent non-executive Directors		
Mr. Robert Peter Thian	Le Curling Route du Transit, 22 3963 Crans-Montana Switzerland	British
Mr. Chan Kee Huen, Michael (陳記煊)	501, Block B, The Dahfuldy 21 Homantin Hill Road Kowloon Hong Kong	Australian
Mr. Tang Chiu Ping, Raymond (鄧昭平)	Flat B1 Carolina Gardens 24–26 Coombe Road Peak Hong Kong	British

PARTIES INVOLVED

Sole Sponsor	Piper Jaffray Asia Limited 3902B, 39/F, Tower 1 Lippo Centre 89 Queensway Hong Kong
Sole Bookrunner and Sole Lead Manager	Piper Jaffray Asia Securities Limited 3901B, 39/F, Tower 1 Lippo Centre 89 Queensway Hong Kong
Co-lead Managers	First Shanghai Securities Limited 19/F, Wing On House 71 Des Voeux Road Central Hong Kong
	DBS Asia Capital Limited 22nd Floor, The Center 99 Queen's Road Central Hong Kong
Public Offer Underwriters	Piper Jaffray Asia Securities Limited 3901B, 39/F, Tower 1 Lippo Centre 89 Queensway Hong Kong
	First Shanghai Securities Limited 19/F, Wing On House 71 Des Voeux Road Central Hong Kong

	DBS Asia Capital Limited 22nd Floor, The Center 99 Queen's Road Central Hong Kong
	Fubon Capital (HK) Limited 17/F Central Tower 28 Queen's Road Central HK
	OSK Securities Hong Kong Limited 12/F., World-Wide House 19 Des Voeux Road Central Hong Kong
	Taifook Securities Company Limited 25/F New World Tower 16–18 Queen's Road Central Central, Hong Kong
Placing Underwriters	Piper Jaffray Asia Securities Limited 3901B, 39/F, Tower 1 Lippo Centre 89 Queensway Hong Kong
	First Shanghai Securities Limited 19/F, Wing On House 71 Des Voeux Road Central Hong Kong
	DBS Asia Capital Limited 22nd Floor, The Center 99 Queen's Road Central Hong Kong
	Fubon Capital (HK) Limited 17/F Central Tower 28 Queen's Road Central HK
	OSK Securities Hong Kong Limited 12/F., World-Wide House 19 Des Voeux Road Central Hong Kong
	Taifook Securities Company Limited 25/F New World Tower 16–18 Queen's Road Central Central, Hong Kong
Auditors and reporting accountants	Grant Thornton *Certified Public Accountants* 6th Floor, Nexxus Building 41 Connaught Road Central Hong Kong

Legal advisors to the Company	*as to Hong Kong law:* Andrew Lui & Co. in association with Salans LLP Suite 708–709, 7th Floor Citibank Tower 3 Garden Road Central Hong Kong *as to PRC law:* Jincheng Tongda & Neal 11/F, Hua Xia Bank Plaza 22 Jianguomennei Avenue Beijing PRC *as to Cayman Islands law:* Appleby 8/F., Bank of America Tower 12 Harcourt Road, Central Hong Kong
Legal advisors to the Underwriters	*as to Hong Kong law:* Jackson Woo & Associates in association with Ashurst Hong Kong 16th Floor ICBC Tower, Citibank Plaza 3 Garden Road Central Hong Kong *as to PRC law:* Jingtian & Gongcheng Room 3505, K. Wah Centre 1010 Huai Hai Road (M) Shanghai 200031 China
Property valuer	Greater China Appraisal Limited Room 2703, Shui On Centre 6–8 Harbour Road Wanchai Hong Kong
Receiving bankers	The Bank of East Asia, Limited 18/F, Bank of East Asia Building 10 Des Voeux Road Central, Hong Kong Wing Lung Bank Limited 45 Des Voeux Road Central, Hong Kong

Registered office	Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarter and principal place of business in PRC	Room 109, Building 14 818 Xiaying Street, Qiming Road Yinzhou District Ningbo Zhejiang Province 315105 PRC
Principal place of business in Hong Kong	Suite 1203–4 12/F., Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Company's website	***www.lansen.com.cn*** *(Information on the website does not form part of this prospectus)*
Company secretary	Chan Sheung Chi, *CPA*
Authorized representatives	Chan Sheung Chi Flat H, 16/F Block 1, Castello 69 Siu Lek Yuen Road Siu Lek Yuen Shatin New Territories Hong Kong Yip Pui Ling, Rebecca Flat A, 18/F, Lotus Mansion 6 Tai Koo Wan Road Tai Koo Shing Hong Kong
Audit committee members	Chan Kee Huen, Michael *(Chairman)* Robert Peter Thian Tang Chiu Ping, Raymond Lee Jin Yi Yip Pui Ling, Rebecca
Remuneration committee members	Lee Jin Yi *(Chairman)* Stephen Burnau Hunt Robert Peter Thian Chan Kee Huen, Michael Tang Chiu Ping, Raymond

Compliance advisor	Piper Jaffray Asia Limited 3902B, 39/F, Tower 1 Lippo Centre 89 Queensway Hong Kong
Principal share registrar and transfer office	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong share registrar	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	Standard Chartered Bank 4–4A Des Voeux Road Central Central Hong Kong Fubon Bank Hong Kong Limited 3/F Fubon Bank Building 38 Des Voeux Road Central Hong Kong

REGULATORY FRAMEWORK

The following are the major laws and regulations applicable to the pharmaceutical industry in China:

- *Law on the Administration of Pharmaceuticals of the PRC* (中華人民共和國藥品管理法), which was promulgated by the Standing Committee of the National People's Congress on 20 September 1984, amended on 28 February 2001 and effective on 1 December 2001;

- *Implementation Regulation of the Law on the Administration of Pharmaceuticals of the PRC* (中華人民共和國藥品管理法實施條例), which were promulgated by the State Council on 4 August 2002 and became effective on 15 September 2002;

- *Measures on the Registration Administration of Medicines* (藥品註冊管理辦法), which were promulgated by the SFDA on 10 July 2007 and became effective on 1 October 2007;

- *Rules on the Quality Control for Clinical Trials of Medicine* (藥物臨床試驗質量管理規範), which were promulgated by the SFDA on 6 August 2003 and became effective on 1 September 2003;

- *Regulations on the Supervision of Medical Equipment* (醫療器械監督管理條例), which were promulgated by the State Council on 28 December 1999 and became effective on 1 April 2000; and

- *Regulations on the Protection of Chinese Medicines* (中藥品種保護條例), which were promulgated by the State Council on 14 October 1992 and became effective on 1 January 1993.

The following are the major administrative authorities regulating the pharmaceutical industry in China:

- **State Food and Drug Administration, or the SFDA**. The SFDA is a successor to the State Drug Administration ("**SDA**"). The SDA was established in 1998 to assume the supervisory and administrative functions then carried out by the MOH and the State Administration Bureau for Pharmaceuticals. The SFDA was established in March 2003 to assume the powers and duties of the SDA in matters concerning the pharmaceutical industry and to regulate food, healthcare and cosmetic products and protection of Chinese medicine.

- **Ministry of Health, or MOH**. MOH is a ministry under the direct supervision of the State Council. Prior to the formation of the SFDA, the MOH also had the responsibility to monitor and supervise matters in the pharmaceutical industry and to promulgate rules and formulate policies in such matters. Following the establishment of the SFDA, the MOH focuses primarily on public health matters (except matters concerning the pharmaceutical industry). The MOH performs a variety of regulatory roles, including the establishment of healthcare institutions and acting as a conduit to facilitate communications between foreign healthcare companies and the PRC Government.

MANUFACTURING OF PHARMACEUTICAL PRODUCTS

Qualification requirements

Manufacturing licence and approval

Each pharmaceutical manufacturing enterprise is required to obtain a pharmaceutical manufacturing licence, a business licence, and for each product it manufactures, a medicine registration certificate (藥品註冊證). The pharmaceutical manufacturing licence is issued by local drugs administrative authority at the provincial level. The licence is issued only after the relevant production facilities have been inspected and their sanitary conditions, quality assurance systems, management structure and equipment standards have been found to fulfil the required standards. According to the Implementation Regulation of Law on the Administration of Pharmaceuticals of the PRC, each pharmaceutical manufacturing licence is valid for five years. The pharmaceutical manufacturing enterprise must apply for an extension six months prior to the licence's expiration, and extension is only granted after re-evaluation by the relevant authority.

The business licence is issued by the administrative agency in charge of industry and commerce.

The medicine registration certificate (藥品註冊證) is issued by SFDA. Approval is granted only if the product meets the PRC pharmaceutical standards, as set forth in the Pharmacopoeia of the PRC and the regulations promulgated by SFDA; the manufacturer has a valid pharmaceutical manufacturing licence; and the relevant production facilities possess GMP certification.

GMP

GMP certificate is required for the production of each dosage form. GMP is a set of detailed guidelines on practices governing the production of pharmaceutical products. Formulated by the World Health Organization, the guidelines were designed to protect consumers by minimizing production errors and the possibility of contamination. The concept of GMP was introduced in China in 1982 and was published in the *Guidelines on the Implementation of GMP Standards among Pharmaceutical Manufacturing Enterprises* (藥品生產質量管理規範實施指南) in 1985. In 1988, MOH promulgated the first version of GMP standards, which was subsequently amended in 1992 and 1999. Among others, GMP standards impose various requirements on production plants, facilities, raw materials, manufacturing management and quality control processes.

Pursuant to the *Notice on the Implementation of GMP* (關於實施《藥品生產質量管理規範》有關規定的通知) issued by SDA in August 1999, pharmaceutical manufacturers were required to comply with the GMP standards within the periods specified in the Notice otherwise their pharmaceutical manufacturing enterprise permits will not be renewed. Manufacturers engaged in the production of powder for injectable, including freeze-dry powder, large volume parenteral solution and genetically research products were required to satisfy the standards by the end of 2000. The *Notice Regarding Overall Acceleration of the Implementation Progress of GMP* (關於全面加快監督實施藥品GMP工作進程的通知) issued

by the SFDA in October 2001 further requires manufacturers producing small volume parenteral solution products to satisfy the standards by the end of 2002; and all other manufacturers are required to satisfy the standards by 30 June 2004. Effective from 1 July 2004, manufacturers which failed to comply with GMP standards and obtain relevant certificates were required to cease production.

Pursuant to the Administrative Measures for Certification of the Good Manufacturing Practices promulgated by the SFDA on 7 September 2005, GMP certificates are valid for a term of five years, except in the case of a newly established pharmaceutical manufacturer, the GMP certification of which is valid for one year. GMP certificates must be renewed no later than six months, and in the case of a newly established pharmaceutical manufacturer three months, prior to expiration upon re-examinating by the relevant authority.

Our PRC legal advisor confirmed to the best of their knowledge that we have complied in all material respects with the GMP qualification requirements in carrying out our business. As at the Latest Practicable Date, all our subsidiaries engaged in pharmaceutical manufacturing had obtained GMP certificates, each of which is valid.

Registration of pharmaceutical products

In addition to compliance with qualification requirements evidenced by possession of relevant permit, licence and certificate, pharmaceutical manufacturers are required to register each of their products with the SFDA prior to commencement of manufacture of a particular pharmaceutical product. The registration is valid for a term of five years which must be renewed within six months prior to expiration by submitting application materials required under PRC law to the relevant authorities. The following sets forth the application requirements and procedure to register new pharmaceutical products and generic pharmaceutical products in China.

Registration of new pharmaceutical products

According to the *Measures on the Registration Administration of Drug Registration* (藥品註冊管理辦法) promulgated by the SFDA on 10 July 2007 and effective on 1 October 2007, new pharmaceutical products refer to those not previously available in China. Pharmaceutical products taking different dosage forms or route of administration or having curative effects for additional diseases are treated as new pharmaceutical products.

New pharmaceuticals are registered under different types, namely, Chinese medicines/ nature medicines, chemical pharmaceuticals, biochemical products with different requirements of the application materials. In respect of each type, there are a number of categories with each category representing different composition, nature, status or technicality of that particular type of pharmaceutical.

All new pharmaceutical products must undergo four phases before the product launch: pre-clinical research, application for clinical trials, clinical trials and application for production. All new pharmaceuticals must undergo these four phrases and obtain the approval documents and quality standard issued by the SFDA before launching to the market. Clinical trials comprise of four phases: phase I (preliminary pharmacology and

human safety trials), phase II (preliminary assessment on the efficacy), phase III (confirmation of efficacy) and phase IV (research on applications after launching of new pharmaceuticals).

Pharmaceutical products of different registration category have to undergo different phases of clinical trials. For instance, chemical pharmaceuticals of registration category 1 and 2 have to undergo the entire four phases of clinical trials while those of category 3 and 4 only have to pass research on human body pharmacokinetic (phase I) and clinical trials of cross reference comparison with at least 100 pairs (phase II). For pharmaceutical products with changes of dosage form of launched pharmaceutical products, changes of application method and pharmaceutical products with new indications added being registered in accordance with new pharmaceuticals application procedures, the above four phases shall be underwent.

For generic pharmaceuticals, it is not necessary to go through the above four phases and only two phases, being pre-clinical research and application for production, are required. For oral solid agents, bio-equivalence test shall also be done in accordance with the requirement of the SDFA (approval from the SFDA is required before undergoing this test), while other agents would directly obtain the production approval after the assessment and approval of the application for production from the SFDA is obtained.

Pharmaceutical manufacturers are required to obtain an approval from the SFDA prior to commencement of clinical research of a new pharmaceutical product. Application materials, including relevant pre-clinical study information must first be submitted to the SFDA at the provincial level. Upon receipt of the application, the SFDA at the provincial level will review the applicant's submission and conduct production site visits to collect drug samples (3 sets of samples are required for biological products only) for examination by the Drug Inspection Bureau appointed by the SFDA. The SFDA will conclude the on-site inspection report, examination report (if any) and pre-clinical research information of the provincial authorities, and then organize an expert committee made up of pharmaceutical experts and other specialists to conduct technical assessment of the new pharmaceutical product to consider whether an approval for clinical research should be granted.

Upon completion of clinical research, the applicant must also apply for an approval to manufacture the new pharmaceutical product. Application materials, including relevant clinical research information and raw material samples, must be submitted to the SFDA at the provincial level and the Drug Inspection Bureau. The SFDA at the provincial level will then review the application materials and conduct production site visits, which must comply with GMP standards. Three consecutive production batches of drug samples will be collected from the applicant's production site for examination by the Drug Inspection Bureau. After their investigation and assessment of the application, the SFDA at the provincial level and the Drug Inspection Bureau will report to the SFDA, which will conduct a final assessment. If technical assessment is passed, the assessment center of the SFDA would notify the applicant to apply for on-site examination of production and inform the certification center of the SFDA to conduct on-site production inspection. The certification center will conduct on-site inspection on the process of bulk production of

samples and confirm the feasibility of the production process being assessed, while one set of sample will be delivered to the drug inspection center for examination to re-examine the standard of the pharmaceutical product, and the results will be reported to the pharmaceutical product assessment center of the SDFA. The pharmaceutical product assessment center will then conclude the result from the production site and the result of sample inspection to form an opinion to report to the National Bureau for approval. The National Bureau will consider whether an approval for registration of the new product should be granted. If approved, the applicant will be granted a Pharmaceutical Product Registration Approval Document and a Certificate of New Medicine and the manufacturer may commence mass production of the new pharmaceutical product.

For generic pharmaceuticals, upon the submission of pre-clinical research information to provincial authorities for the application of registration by the registration unit, provincial authorities will conduct examination on the information and conduct on-site production inspection (dynamic production), and samples will be extracted to pass to the pharmaceutical product assessment center appointed by the SFDA for examination. The National Bureau will then conclude the inspection report, opinion of on-site inspection from provincial authorities and pre-clinical research information, and arrange technical assessment on the application for registration to determine whether such application should be approved.

On January 2009, the SFDA promulgated the Special Examination and Administration Requirements on New Pharmaceutical Registration, which simplifies certain conventional procedures on the examination of new pharmaceuticals.

Registration of Over-the-Counter Drugs

Pursuant to the *Trial Administrative Measures regarding the Prescription Pharmaceuticals and Over-the-Counter Drugs* (處方藥與非處方藥分類管理辦法(試行)) promulgated in June 1999, Over-the-Counter-Drugs can be judged, purchased and used by oneself without the prescription of practicing doctors or assistant doctors. Pharmaceutical manufacturers are required to register their generic pharmaceutical products in the form of application for recognition of compliance with national standards before commencement of manufacturing of such products.

Normally, no clinical trials are required for application for recognition of compliance with national standard for generic pharmaceutical. To apply for approval to manufacture a drug with national standards, the applicant must submit, among other things, relevant information and drug samples prepared in accordance with the relevant national standards to the SFDA at the provincial level, which will then review the applicant's submission and conduct production site visit. 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 State. The SFDA at the provincial level and the Drug Inspection Bureau will then report to the SFDA, 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 production approval to manufacture the drugs.

Our PRC legal advisor confirmed that we have complied in all material respects with the SFDA registration and renewal requirements of our pharmaceutical products in carrying out our business. Please refer to the paragraphs headed "Principal products", "Other Pharmaceuticals" and "Government regulation and suspension" for further details of the section headed "Business" in this prospectus.

Continuing SFDA Regulation

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

NATIONAL LIST OF ESSENTIAL DRUGS

On 18 August 2009, the MOH and other eight ministries and commissions in China issued the *Administrative Measures of National List of Essential Drugs* (國家基本藥物目錄管理辦法(暫行)), and the *Guidelines on the Implementation of the National List of Essential Drugs System* (關於建立國家基本藥物制度的實施意見), that aims to promote essential medicines sold to consumers at fair prices in China and ensure that the general public in China has equal access to the drugs contained in the National List of Essential Drugs. On the same day, the Ministry of Health promulgated the *National List of Essential Drugs (Catalog for the Basic Healthcare Institutions)* (國家基本藥物目錄(基層醫療衛生機構配備使用部分)), which applies only to basic medical institutions.

Basic medical institutions primarily include county-level hospitals, county-level Chinese medicine hospitals, rural clinics and community clinics. Pharmaceutical sales from such basic medical institutions comprise a small part of the pharmaceutical market in China. As at the Latest Practicable Date, none of our specialty prescription western pharmaceuticals fall into the Essential Drugs List. For this reason, we do not believe the Measures and Essential Drugs Guidelines will have a material impact on our Core Business.

Protection of pharmaceutical products in China

Protection under patent law

According to the *PRC Patent Law* (中華人民共和國專利法) promulgated on 12 March 1984 and amended on 25 August 2000 and 27 December 2008, patent protection is divided into three categories: invention patent, utility patent and design patent. Invention patent is intended to protect new technology or measures for a product, method or its improvement. Utility patent is intended to protect new technology or measures to increase the utility of a product shape, structure or its combination. Design patent is intended to protect new designs by combination of product shape, graphic or color with aesthetic and industrial application value.

- *Invention patent*

The products seeking invention patent protection must possess such characteristics as novelty and innovation and the grant of invention patent is subject to disclosure and publication requirement. Normally, the patent administrative authority publishes the application 18 months after application is filed, which may be shortened upon request by the applicant. The patent administrative authority conducts a substantive review as required by applicant within 3 years from publication or if necessary at its discretion to grant the invention patent, issue the certificate of invention patent and announce and register it if there is no cause for rejection of the application of the invention patent after substantive review and makes a decision. The term of protection is 20 years from the date of application.

Once an invention patent is granted, unless otherwise permitted by law, no individuals or entities are permitted to engage in the manufacture, use, sale or import of the product protected by such patent or otherwise engage in the manufacture, use, sale or import of the product directly derived from applying the production technology or method protected by such patent, without consent of the patent holder.

- *Utility patent*

The products seeking utility patent protection must also possess such characteristics as novelty and innovation. Utility patent is granted and registered upon application unless there are reasons for the patent administrative authority to reject the application after its preliminary review. The utility patent is also subject to the disclosure and publication requirement upon application. The term of protection is ten years from the date of application.

Once an utility patent is granted, unless otherwise permitted by law, no individuals or entities are permitted to engage in the manufacture, use, sale or import of the product protected by such patent or otherwise engage in the manufacture, use, sale or import of the product directly derived from applying the production technology or method protected by such patent, without consent of the patent holder.

- *Design patent*

The products seeking design patent protection must not be the same as or similar to those previously released in domestic or overseas publications, publicly used in the country or infringing upon third parties' legal rights. The application procedure and term of protection is the same as utility patent.

Once a design patent is granted, no individuals or entities are permitted to engage in the manufacture, use, sale or import of the product protected by such patent without consent of the patent holder.

Patent enforcement

When a dispute arises as a result of infringement of the patent holder's patent right, PRC law requires that the parties first attempt to settle the dispute through consultation between the respective parties. However, if the dispute cannot be settled through consultation, the patent holder or an interested party who believes the patent is being infringed may either file a civil legal suit or file an administrative complaint with the relevant patent administration authority under the SIPO. A PRC court may issue a preliminary injunction upon the patent holder's or an interested party's request before instituting any legal proceedings or during the proceedings. Damages for infringement are calculated as either the actual loss suffered by the patent holder arising from the infringement or, if the actual loss is difficult to ascertain, the benefit gained by the infringer from the infringement. If it is difficult to ascertain damages in this manner, damages may be determined by using a reasonable multiple of the licence fee under a contractual licence. As in other jurisdictions, with one notable exception, the patent holder in the PRC has the burden of proving that the patent is being infringed. However, if the holder of the invention patent for a manufacturing process of a new product alleges infringement of such patent, the alleged infringing party has the burden of proving that there has been no infringement.

TRADEMARKS

The PRC Trademark Law (中華人民共和國商標法) was promulgated in 1982 (later amended on 27 October 2001) and the PRC Trademark Implementing Regulations (中華人民共和國商標法實施條例) was promulgated on 3 August 2002. These laws provide the basic legal framework for the regulation of trademarks in China. The Trademark Office of State Administration of Industry and Commence ("**Trademark Office**") is responsible for the registration and administration of trademarks throughout the country.

PRC law provides that the following acts constitute infringement of the exclusive right to use a registered trademark:

- use of a trademark that is identical with or similar to a registered trademark in respect of the same kind of or similar commodities without the authorization of the trademark registrant;
- sale of commodities infringing upon the exclusive right to use the registered trademark;
- counterfeiting or making, without authorization, representations of a registered trademark of another person, or sale of such representations of a registered trademark;
- changing a registered trademark and selling products on which the changed registered trademark is used without the consent of the trademark registrant; and
- otherwise infringing upon the exclusive right of another person to use a registered trademark.

Protection of new pharmaceutical products

In order to protect the public health and with a view to ensuring control over the safety, efficacy and quality of new pharmaceutical products, the SFDA promulgated the *Measures on Registration Administration of Medicines* (藥品註冊管理辦法) on 1 July 2007 pursuant to the Law on the Administration of the Pharmaceuticals of PRC (中華人民共和國藥品管理法) and *the Implementation Regulations of the Law on Administration of pharmaceuticals of the PRC* (中華人民共和國藥品管理法實施條例).

The SFDA may stipulate a monitoring period up to five years in respect of new pharmaceutical products approved for production to monitor the safety of such new pharmaceutical products on an ongoing basis. The SFDA shall not approve the production and import of such new pharmaceutical products by other enterprises during the monitoring period. No applications for the registration of pharmaceutical products of the same product by other applicants shall be accepted after the monitoring period for such new pharmaceutical products commences. Applications for the registration of pharmaceutical products of the same product by other applicants that have been accepted but have not been approved to begin clinical trials shall be returned. Upon the expiration of the monitoring period of such new pharmaceutical products, applicants may file an application in respect of pharmaceutical products that have been accredited with national standards or for the import of pharmaceutical products.

DISTRIBUTION OF PHARMACEUTICAL PRODUCTS

In China, only retailers and wholesalers of pharmaceutical products carrying pharmaceutical trading permits are permitted to engage in distribution of third-party products. Pharmaceutical manufacturers, however, are permitted to distribute self-manufactured products only. In addition, pharmaceutical manufacturers in China are not permitted to engage in the following activities:

- Sell self-manufactured products to manufacturers, distributors or medical institutions without a licence to engage in such activities;
- Sell self-manufactured products to in illegal pharmaceutical trading market;
- Sell prescription pharmaceuticals to entities selling non-prescription pharmaceuticals;
- Sell pharmaceutical products whose production approval number has been altered;
- Sell pharmaceutical products whose direction and labeling do not comply with relevant requirements;
- Sell pharmaceutical products which violate regulations regarding approval number of pharmaceutical products; and
- Engage in activities in violation of applicable laws and regulations.

Wholesale and retail operations

Retailers and wholesalers of pharmaceutical products are required to obtain pharmaceutical operation permits. The permit is issued by the SFDA at the provincial level. The permit is issued only after the entity's internal regulations have been reviewed, the entity's licensed pharmacists or professionals are found to be in possession of the relevant qualifications, and that the entity's storage premises for drugs and equipment are found to have met the standards. Each pharmaceutical operation permit is valid for five years. The permit holder must apply for renewal six months prior to the licence's expiration and such renewal is only granted after re-evaluation by the authority which issued the previous licence.

Our PRC legal advisor confirmed that as of the Latest Practicable Date, we have obtained pharmaceutical operation permits necessary for our subsidiaries that are already engaged in the wholesale operation of pharmaceutical products, each of which is currently valid.

GSP

Each distributor of pharmaceutical products is required to obtain a GSP licence. GSP is a set of quality guidelines on the distribution of pharmaceutical products. The licence is issued to the distributor (as opposed to its branches) only after authentication of its operation by the relevant administrative authorities. Pursuant to 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), each GSP licence is valid for five years. The licence holder must apply for a renewal three months prior to the licence's expiration and such renewal is only granted after re-evaluation by the relevant authority. Pursuant to the *Notice Regarding 2004 GSP Certification Working Opinions* (關於印發2004年藥品經營質量管理規範認證工作意見的通知) published by the SFDA on 14 January 2004, all pharmaceutical wholesalers, retail chain operators, large- to medium-sized pharmaceutical retailers in urban centers at or above regional and municipal levels were required to obtain the GSP licences by the end of 30 June 2004; and those located at urban centers at or above county levels shall be completed by the end of December 2004.

Our PRC legal advisor confirmed that as of the Latest Practicable Date, we have obtained required GSP certificate for our subsidiaries that are already engaged in the wholesale operations related to pharmaceutical products, each of which is currently valid.

Anti-Unfair Competition Law of the People's Republic of China

To promote healthy economic development, encourage fair competition, sanction against illegal competitive behaviour and to protect the interest of the business operators and consumers, Anti-Unfair Competition Law of the PRC (中華人民共和國反不正當競爭法) was promulgated on 2 September 1993. Pursuant to article 8 of the Anti-Unfair Competition Law of the PRC, business operators shall not use money or properties or by the other methods to bribe others in order to sell or purchase commodities. Business operators shall be guilty for bribing if they give secret commission to other organisations or individual without normal accounting records. An organisation or individual shall be guilty

for receiving bribe if it accepts secret discount without normal accounting records. Business operators may offer discount to others in public, or pay commission to middle man in the course of selling or purchasing commodities, however, the fact of giving or receiving of such discount or commission shall be properly recorded in the accounts.

PRESCRIPTION PHARMACEUTICALS AND OVER-THE-COUNTER DRUGS

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

The SFDA is responsible for the selection, approval, publication, and revision of the *National Catalogue of Over-the-Counter Drugs* (國家非處方藥目錄). Depending on the safety of the relevant drug, over-the-counter drugs are further subdivided into type A and type B and administered separately. Manufacturers of both prescription and over-the-counter drugs are required to obtain a pharmaceutical licence and to obtain production approvals for the relevant drugs. Distributors and wholesalers of prescription pharmaceuticals and over-the-counter drugs and retail outlets selling prescription medicines and type A over-the-counter drugs are required to obtain a pharmaceutical distribution permit. Retail outlets selling type B over-the-counter drugs require approval from their provincial level the SFDA or designated bureau. In addition, retail outlets selling type B over-the-counter drugs are required to have professionally trained and suitably qualified staff before engaging in the sale of type B over-the-counter drugs. Retail outlets are required to source their drugs from qualified manufacturers and distributors holding the prerequisite permits and approvals.

PRICE CONTROL

Pursuant to the *Opinion Regarding Reforms on Price Administration of Pharmaceutical Products* (國家計委印發關於改革藥品價格管理的意見的通知) issued by National Development and Reform Commission on 20 July 2000 and the *Notice of the State Development and Reform Commission regarding the "Development and Reform of the State and the State's Catalog on Fixed-Price Pharmaceutical Products"* (國家發展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) as promulgated on 1 August 2005, prices of pharmaceutical products are either determined by the government or by market conditions. Pharmaceutical products subject to government price control mainly relate to those included in the Insurance Catalogue and those whose production or trading tend to create monopolies. The government sets a price ceiling for the retail prices of such products based on the average production cost of the pharmaceutical manufacturers and the market demand and supply of such products while allowing some room for adjustment from time to time.

If a particular pharmaceutical manufacturer has an advantage over efficacy, safety, treatment cycle and treatment costs of its product, such pharmaceutical manufacturer may apply for an approval for exemption from price control, subject to a public hearing held by the government. In addition, the National Development and Reform Commission issued the *Notice Regarding Trial Implementation of Factory Price of Certain Pharmaceutical Products* (關於對部分藥品從出廠環節制定價格進行試點之通知) on 2 November 2005 to regulate the maximum retail price as well as the maximum post factory price of certain pharmaceutical products applied to treat vitamin or mineral deficient diseases.

With respect to pharmaceutical products whose prices are determined by market conditions, the pharmaceutical manufacturers can determine the retail price of their products based on their production cost and market demand and supply for the relevant product. Wholesalers and retailers of such products are permitted to determine the actual retail price to the end users provided that such price does not exceed the retail price determined by the manufacturers. The pharmaceutical manufacturers are required to adjust the retail prices from time to time based on their production cost and the market demand and supply for the relevant product.

PROCUREMENT SYSTEM

According to the *Notice on Issuing Certain Regulations on the Trial Implementation of Centralized Procurement of Pharmaceutical Products by Medical Organizations* (關於印發醫療機構藥品集中招標採購試點工作若干規定的通知) promulgated on 7 July 2000 and the *Notice on Further Improvement on the Implementation of Centralized Procurement of Pharmaceutical Products by Medical Organizations* (關於進一步做好醫療機構藥品集中招標採購工作的通知) promulgated on 23 July 2001, non-profit medical institutions established by the government in the county level or higher are required to implement a centralized tender system for the procurement of pharmaceutical products. Generally speaking, medical institutions are required to participate in tenders when they procure pharmaceutical products listed in the Insurance Catalogue for patients in towns or counties or when they purchase pharmaceutical products in bulk volume.

Public hospitals and medical institutions at the counties level or above must comply with the centralized tendering process requirements when purchasing medicines in the Insurance Catalogue and medicines that are consumed in large volumes and commonly prescribed for clinical uses. The manufacturers of such medicines are invited to bid and participate in the centralized tendering process, which they must do directly. The bids will be assessed in respect of the quality and price of the medicine and the service and reputation of the manufacturer. Centralized tendering process takes the form of public tender through an intermediary jointly appointed by the medical institutions. Such intermediaries are legally established bidding agencies which are not permitted to engage in the distribution of pharmaceutical products and have no conflicts of interest with government authorities. The bids are assessed by a committee organized by pharmaceutical experts approved by the relevant authorities. The committee members assess the bids based on product quality, qualifications of the manufacturer, after-sale services and price.

According to the *Notice on Price Policy of the Implementation of Centralized Tender Purchase of Drugs by Medical Organizations* (關於集中招標採購藥品有關價格政策問題的通知) issued by the National Development and Reform Commission on 22 January 2001, medical institutions and retail outlets are permitted to sell pharmaceutical products subject to price control at a price lower than the price ceiling set by the government. As a result, the price ceiling set by the government is also taken into account during the bidding process. Upon completion of the bidding process, the bidding agency is required to report the final bid price to the government authority in charge of price control. For the pharmaceutical products not subject to price control, the medical organizations are also required to report the actual retail price to the government authority in charge of price control for the record.

INSURANCE CATALOGUE

Pursuant to the *Decision of the State Council on the Establishment of Basic Medical Insurance System for Urban Employees* (國務院關於建立城鎮職工基本醫療保險制度的決定) issued by the State Council on 14 December 1998, all employers in urban cities are required to enroll their employees in the basic medical insurance program and the insurance premium are jointly contributed by the employers and employees. Participants of the national medical insurance program and their employees are required to contribute to the payment of the insurance premium on a monthly basis. The *Notice Regarding the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employees* (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) issued by the Ministry of Labor and Social Security on 12 May 1999 further requires that the prescription of drugs covered by the basic insurance program is limited to those listed in the Insurance Catalogue, which include (i) pharmaceutical products listed in the 2005 version of the PRC Pharmacopoeia; (ii) pharmaceutical products approved by the government to be in compliance with national standards; and (iii) imported pharmaceutical products approved by the government.

The Insurance Catalogue is divided into two parts, Part A and Part B. The drugs included in Part A are determined by the national government for general application and local authorities may not adjust the content of that Part. The drugs in Part B are determined by the national government and local authorities may adjust up to 15% of the content of that Part. As a result, the contents of Part B in the Insurance Catalogue may differ from region to region in China. Patients purchasing drugs included in Part A of the Insurance Catalogue are entitled to reimbursement of the entire amount of purchase costs while patients purchasing drugs included in Part B of the Insurance Catalogue are required to pay a deductible and obtain reimbursement for the remainder of the purchase costs. The amount of deductible differs from region to region in China.

MEDICAL SUBSIDY TO RESIDENTS IN RURAL AREAS

As part of the medical treatment and health care reform, the government initiated plans for the central and local governments to share the costs of subsidizing medical expenses of rural residents since 2003. On 13 January 2004, the State Council forwarded the *Guiding Opinions Regarding the Further Improvement of Cooperative Medical Care in New Type Rural Areas on a Trial Basis* (關於進一步做好新型農村合作醫療試點工作指導意見的通知) formulated by over ten government authorities, including the MOH, pursuant to which every rural resident in the middle and western regions of China participating in the plan on a voluntary basis receives medical subsidiary in the amount of RMB10 (equivalent to approximately USD1.5) per year from the central government. In addition, local governments in the middle and western regions of China are required to subsidize no less than RMB10 (equivalent to approximately USD1.5) per person per year and those in the eastern regions of China were encouraged to aim to subsidize up to RMB20 (equivalent to approximately USD3) per person per year. The actual amount of subsidy contributed by local governments is dependent on the financial condition of the relevant local government.

The government further increased the amount of subsidy in 2006. On 10 January 2006, the MOH, the State Development and Reform Commission and other five ministries and bureaus jointly promulgated the *Notice Regarding Acceleration of Implementation of Cooperative Medical Care in New Type Rural Areas on a Trial Basis* (關於加快推進新型農村合作醫療試點工作的通知) pursuant to which for the rural residents in middle and western regions of China the central government increased the amount of subsidy from RMB10 (equivalent to approximately USD1.5) per person per year to RMB20 (equivalent to approximately USD3) per person per year. In addition, local governments were required to increase the amount of subsidy by additional RMB10 (equivalent to approximately USD1.5) per person per year. Local governments with difficulties to meet the payment obligation may increase the amount of subsidy by additional RMB5 (equivalent to approximately USD0.7) per person per year in 2006 and 2007. Moreover, municipalities with over 70% population as rural residents in the middle and western regions of China, Liaoning, Jiangsu, Zhejiang, Fujian, Shandong and Guangdong Provinces are included in the program subsidized by the central government.

LABELING AND PACKAGING REQUIREMENTS

Under PRC law, the contents in the labels and directions of pharmaceutical products must be approved by the SFDA and such contents shall be true and accurate without containing inappropriate advertisement. The packaging and labeling format and color of the same product of the same specification manufactured by the same company shall be consistent. According to the *Administrative Measures Regarding the Directions and Labels of Pharmaceutical Products* (藥品説明書和標籤管理規定) issued by the SFDA on 15 March 2006, statements regarding the disease the product is applied to treat, terminology used in the medical profession, the name of the product, clinical trial name and results contained in directions of pharmaceutical products are required to follow the terminologies promulgated by the State. Such directions are also required to state all active ingredients and Chinese medicine ingredients. The directions are also required to state potential adverse drug reactions which may result from the usage of the product. The interior and exterior labels

are required to state, among others, the common name of the product, the disease it is applied to treat, specification, dosage method, dosage volume, manufacturing date, approval number, expiration date, potential adverse drug reactions and information regarding the manufacturer.

According to the *Administrative Measures Regarding the Packaging Materials and Containers in Direct Contact with Pharmaceutical Products* (直接接觸藥品的包裝材料和容器管理辦法) promulgated by the SFDA on 20 July 2004, packaging materials and containers in direct contact with pharmaceutical products must comply with national standards and manufacturers of pharmaceutical products packaging materials and containers are required to apply for a pharmaceutical product packaging registration certificate by submitting the application materials and packaging samples to the SFDA at the provincial level which will conduct a preliminary review and forward the application, together with its opinion, to the SFDA. Successful applicants will be granted such certificates valid for a term of five years, which are renewable six months prior to expiration.

SAFETY AND CREDIBILITY RATING

In order to increase the awareness of pharmaceutical manufacturers and research institutions on the safety and credibility of pharmaceutical products and medical equipment, the SFDA promulgated the *Tentative Regulations Regarding the Safety and Credibility Rating of Pharmaceutical Products* (藥品安全信用分類管理暫行規定) on 13 September 2004 pursuant to which the SFDA at the county level or above regulates the safety and credibility rating of the pharmaceutical manufacturers and research institutions in their jurisdiction by establishment of an information system through which the relevant pharmaceutical manufacturers and research institutions may be rated and rewarded accordingly. To allocate and monitor resources reasonably to increase efficiency of monitor and management and to facilitate the establishment of a safe and reliable pharmaceutical system, pursuant to the *Daily Regulatory and Management Measures Regarding Pharmaceuticals Manufacturing Enterprises in Ningbo (Provisional)* (寧波市藥品生產企業日常監督管理辦法（試行）) promulgated by the SFDA of Ningbo on 12 September 2006 and effective on 1 October 2006, the SFDA of Ningbo categorizes pharmaceutical manufacturing enterprises into different grades in accordance with safety and creditability level, and implements corresponding supervision. The categories of the safety and creditability level of pharmaceutical manufacturing enterprises are classified into four grades, namely AA, A, B and C, of which grade AA represents the superior grade, grade A represents the stable grade, grade B represents the unstable grade, and grade C represents the inferior grade. Under such grading system, for those enterprises meeting the requirements of grade A for three consecutive years with no serious defects identified in every supervision and inspection and with a general deficiency rate below 10% in system inspection (the marks of daily supervision and inspection are over 85%) and defects have been modified to meet the requirements, the safety and credibility grade of such enterprises will be promoted to grade AA. For those enterprises with the safety and credibility grade of grade AA, the frequency of on-site inspection would be reduced. For those enterprises obtaining the safety and credibility grade of grade AA for two consecutive years, system inspection could be exempted within three years and simplified inspection would be implemented. For those enterprises with the safety and credibility grade of grade A, regular

inspection will be carried only once on a yearly basis, with inspection on the regulated dosage forms or types and simplified inspection on generally regulated dosage form or products. For those enterprises obtaining the safety and credibility grade of grade B, system inspection will be carried out on an annual basis and additional inspection would be carried out when necessary. For those enterprises obtaining the safety and credibility grade of grade C, system inspection will be carried at least on a half-yearly basis. For those grade C enterprises being classified as grade C for two consecutive years or twice within three years, they would be blacklisted in terms of safety and credibility and their names would be announced to the public. Pursuant to the regulation, enterprises meeting the following conditions this year shall be classified as grade A:

(1) No breach of rules and regulations on manufacturing and selling pharmaceuticals;

(2) Passing rate of sample check on the quality of pharmaceuticals carried out by SFDA on municipality level reaches 100%;

(3) No serious incidents occurred in relation to the quality of pharmaceuticals;

(4) No serious defects found in supervision and inspection, general deficiency rate below 15% under system inspection (the marks of daily supervision and inspection are over 80%) and modification of defective items meeting the requirements;

(5) Filing and registration of alternations on a timely fashion under the requirements;

(6) No rejection and obstruction during the supervision and inspection and sample check carried out by officers, or not being uncooperatively in the course of inspection carried out by officers and not giving false information; and

(7) No breach of rules and regulations on the release of advertisement for pharmaceuticals and not having been notified or penalized by the SFDA and Administration of Industry and Commerce on any level.

During the Track Record Period, Ningbo Liwah was rated as Grade A entity for three consecutive years by Ningbo SFDA and will be promoted to Grade AA if, after annual review by Ningbo SFDA by the end of December, no serious defects are identified in every supervision and inspection and with a general deficiency rate below 10% (the marks of daily supervision and examination are over 85%) and defects have been modified to meet the requirements.

ADVERTIZING RESTRICTIONS

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

ENVIRONMENTAL PROTECTION

Pursuant to the *Environmental Protection Law of the PRC* (中華人民共和國環境保護法) promulgated and effective on 26 December 1989, the environmental protection department of the State Council is in charge of promulgating national standards for environmental protection. The local governments of provinces, autonomous regions and municipalities may also promulgate local standards for environmental protection on matters not specified under national standards and the local governments must report such standards to the administrative authority of environmental protection under the State Council for record.

Pursuant to the *Law on Environmental Impact Studies of the PRC* (中華人民共和國環境影響評價法) promulgated on 28 October 2002 and effective on 1 September 2003, manufacturers must prepare environmental impact study report setting forth the impact the proposed construction project may have on the environment and the measures to prevent or mitigate the impact for approval by the government authority prior to commencement of construction of the relevant project. New facilities built pursuant to this approval are not permitted to operate until the relevant environmental bureau has performed an inspection and is satisfied that the facilities are in compliance with environmental standards.

Pursuant to *Air Pollution Prevention Law of the PRC* (中華人民共和國大氣污染防治法) promulgated on 29 April 2000 by the Standing Committee of the National People's Congress of the PRC and effective on 1 September 2000, the environmental protection administrative authorities above the county level are in charge of exercising the unified supervision and administration of prevention and control of air pollution. The environmental protection administrative authority under the State Council formulates national standards and the local governments of provinces, autonomous regions and municipalities formulate local standards on matters not specified under national standards. Manufacturers discharging polluted air must comply with applicable national and local standards. If a manufacturer emits polluted air exceeding national or local standards, it must correct its action during a certain period of time and the manufacturer may be subject to penalties.

Pursuant to *Water Pollution Prevention Law of the PRC* (中華人民共和國水污染防治法) promulgated by the Standing Committee of the National People's Congress of the PRC on 1 November 1984 and amended on 15 May 1996 and 28 February 2008, the environment protection department under the State Council is in charge of promulgating the national standards relating to discharge of water pollutants. The local governments of provinces, autonomous regions and municipalities may promulgate local standards relating to water pollutants for matters not specified in national standards. Manufacturers must discharge of water pollutants in accordance with national and local standards. Manufacturers discharging water pollutants must pay water treatment fees. If the water pollutants discharged exceeds national or local standards, the manufacturer is required to pay higher water pollutants 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.

OCCUPATIONAL HEALTH AND SAFETY

Pursuant to the *Labor Law of the PRC* (中華人民共和國勞動法) effective on 1 January 1995, employers must establish a comprehensive management system to protect the rights of their employees, including a system governing occupational health and safety to provide employees with occupational training to prevent occupational injury.

Pursuant to the *Labor Contract Law of the PRC* (中華人民共和國勞動合同法) promulgated by the Standing Committee of the National People's Congress on 29 June 2007 and effective on 1 January 2008, employers shall, when employing labor, truthfully inform the labor of the job description, working condition, location, occupational hazards and status of safe production as well as the remuneration and other conditions as requested by the labor.

Pursuant to the *Law of Manufacturing Safety of the PRC* (中華人民共和國安全生產法) effective on 1 November 2002, manufacturers must establish a comprehensive management system to ensure manufacturing safety in accordance with applicable laws and regulations. Manufacturers not meeting relevant legal requirements are not permitted to commence their manufacturing activities.

Pursuant to the *Administrative Measures Governing the Production Quality of Pharmaceutical Products* (藥品生產質量管理規定) effective on 1 August 1999, manufacturers of pharmaceutical products are required to establish production safety and labor protection measures in connection with the operation of their manufacturing equipment and manufacturing process.

PRODUCT LIABILITY AND PROTECTION OF CONSUMERS

Product liability claims may arise if the products sold have any harmful effect on the consumers. The injured party can claim for damages or compensation. The General Principles of the Civil Law of the PRC which was effective from January 1987 states that manufacturers and sellers of defective products causing property damage or injury may incur civil liabilities.

The *Product Quality Law of the PRC* (中華人民共和國產品質量法) was enacted in 1993 and amended in 2000 to strengthen quality control of products and protect consumers rights. This law states that manufacturers producing defective products can be liable for criminal liability and revocation of business licencees.

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 31 October 1993 and enacted from 1 January 1994 which protect consumers rights when they purchase or use good and accept services. All business operators have to comply with this law when they manufacture or sell goods and/or provide services to customers. Business operators have to assume criminal liability if their goods or services lead to death of customers.

REGULATION OF OVERSEAS LISTINGS

On 8 August 2006, the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, the CSRC, and the SAFE, jointly adopted the Regulations of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), which was effective on 8 September 2006. This regulation provides that an offshore special purpose vehicle established for listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

On 22 June 2009, the MOFCOM issued the Amendments to Regulations of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於修改《關於外國投資者併購境內企業的規定》的決定), revising the provisions on the anti-monopoly review for mergers and acquisitions of domestic enterprises by foreign investors.

According to the Company's PRC legal advisor, the Group has not carried out any merger or acquisition activities since the adoption of the aforementioned regulations in 2006. As such, the PRC legal advisor of the Company are of the opinion that the Group is not required to obtain approval from CSRC prior to the Listing.

LAWS AND REGULATIONS IN RELATION TO FOREIGN EXCHANGE

Pursuant to Notice on Relevant Issues about Foreign Exchange Administration for Domestic Individuals to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) enacted by the SAFE on 21 October 2005 and became effective on 1 November 2005, any PRC individual engaging in equity financing (including convertible bond financing) abroad with enterprise assets or interests inside the PRC via overseas special purpose companies shall apply to register with the local branch of foreign exchange administration for foreign exchange registration of overseas investments. Upon accomplishment of overseas financing, the domestic individual may, according to the plan on use of funds as stated in the business plans or the prospectus, transfer the funds which ought to be arranged for use inside the PRC into the PRC. A domestic individual may, after accomplishing the procedures for foreign exchange registration of overseas investments or for modification thereof in accordance with the legal provisions, pay the profits, dividends, liquidation expenses, equity assignment expenses, capital decrease expenses, etc. to the special purpose company. Where a special purpose company meets with a major capital modification such as capital increase or decrease, stock right assignment or exchange, merger or division, investment with long-term stock rights or credits, provision of guaranty to a foreign party, etc., and is not involved in return investment, the domestic individual shall, within 30 days as of the major modification, apply to the foreign exchange administration for filing modification or foreign exchange registration of the overseas investments. On 29 May 2007, the SAFE issued Notice of Printing and Distributing the Operating Rules for the Notice on Relevant Issues about Foreign Exchange Administration

for Domestic Individuals to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (關於印發《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》操作規程的通知).

As at the Latest Practicable Date, as the ultimate beneficial owners of the Group are not PRC domestic individuals immediately prior to Listing, the PRC legal advisor of the Company are of opinion that the aforementioned notices are not applicable to the Group and its beneficial owners.

REGULATIONS RELATING TO EMPLOYEE SHARE OPTIONS

Pursuant to the Implementation Rules of the Administration Measure for Individual Foreign Exchange (個人外滙管理辦法實施細則) (the "**Individual Foreign Exchange Rule**") issued by SAFE on 5 January 2007 and Operation Rules on the Foreign Exchange Administration of the Participation of Domestic Individuals in Overseas Listed Companies' Employee Stock Ownership Plans and Share Option Schemes (境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程) (the "**Operation Rules on the Foreign Exchange**") issued on 28 March 2007, PRC citizens who are granted shares or share options by an overseas listed company according to its employee share option plan or share incentive plan are required, through the PRC subsidiary of such overseas listed company or any other qualified PRC agent, to register with SAFE and complete certain other procedures related to the share option or other share incentive plan. Foreign exchange income received from the sale of shares or dividends distributed by the overseas listed company may be remitted into a foreign currency account of such PRC citizen or be exchange into RMB. In addition, the overseas listed company or its PRC subsidiary or other qualified PRC agent is required to appoint an asset manager or administrator, appoint a custodian bank and open dedicated foreign currency accounts to handle transactions relating to the share option scheme or other share incentive plan. Our Company and our PRC citizen employees who will be granted share options (including the share options under the Share Option Scheme) will be subject to these rules upon the listing of our Shares. Please also refer to "Risk Factors — Risks relating to the PRC — Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options and restricted share units may subject such employees or us to fines and legal or administrative sanctions" of this prospectus.

The Company has arrangements for certain senior management to be granted Shares pursuant to share incentive plan upon the Listing. Please see section headed "History, Reorganisation and Group Structure" in this prospectus for further details. Pursuant to the arrangement with the Management Shares, the PRC citizens employees of the Company will not be interested in Shares before the Listing, the Company's PRC legal advisor is of the opinion that no PRC citizen employees are subject to registration with the SAFE under the Individual Foreign Exchange Rule or the Operation Rules on Foreign Exchange or other relevant PRC rules and regulations as at the date of Listing.

Our PRC legal advisor confirmed that the Group has obtained all relevant approvals, permits, licences and certificates required for its operations.

The information in the section below has been partly derived from various government publications and partly from the report dated August 2009 issued by Biao Dian, which has been commissioned by us, for a fee of RMB100,000, to prepare such report on the pharmaceutical industry in the PRC, unless otherwise indicated. Data compiled by Biao Dian is based on the published information and data provided by market participants in the PRC.

We believe that the sources of information of this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Selling Shareholders, the Sole Sponsor, the Sole Lead Manager, the Underwriters or any of their respective affiliates or advisors. We, the Selling Shareholders, the Sole Sponsor, the Sole Lead Manager, the Underwriters and any of their respective affiliates and advisors and any other parties involved in the Share Offer make no representation as to the accuracy or completeness of the information set out in this section.

INTRODUCTION

We commissioned Biao Dian, a market research company to conduct a detailed analysis of and report on the pharmaceutical industry and market share of various products of the Company in the PRC. The BDCL report was prepared based on various data collected by Biao Dian through different means, including (a) existing research with information collected from various government publications; (b) the databases monitored by Biao Dian which contain primary information relating to pharmacies and hospitals at counties, cities and provincial levels obtained by Biao Dian; (c) direct visits and interviews with market participants by their market investigators; and (d) information gathered from published secondary sources such as trade press and national statistics. In preparing the BDCL Report, the methodology employed by Biao Dian included scientific sampling and data deduction model. In addition, Biao Dian has relied on certain assumptions including the assumptions that the information collected from the market participants is true, accurate and complete, the economic development of PRC will be growing and the medical reforms of the PRC will be implemented in accordance with the policies announced by the government of the PRC.

The information and statistics as set forth in this section have been partly derived from the BDCL Report issued by Biao Dian.

THE GLOBAL HEALTHCARE INDUSTRY

The following table illustrates the per capita total expenditure on health and the total health expenditure as a percentage of GDP of selected countries in 2000 and 2007:

Countries	Total health expenditure % of GDP	Per capita total expenditure on health				CAGR of per capita total expenditure on health from
	2007	2000		2007		2000 to 2007
		USD	RMB equivalent	USD	RMB equivalent	%
United States of America	16.0%	4,704	32,128	7,290	49,791	6.5
Canada	10.1%	2,516	17,184	3,895	26,603	6.4
France	11%	2,542	17,362	3,601	24,595	5.1
Germany	10.4%	2,671	18,243	3,588	24,506	4.3
United Kingdom	8.4%	1,833	12,519	2,992	20,435	7.3
Spain	8.5%	1,536	10,491	2,671	18,243	8.2
Italy	8.7%	2,052	14,015	2,686	18,345	3.9
Mexico	5.9%	508	3,470	823	5,621	7.1
China	4.5%	53	362	125	854	13.2

Source: OECD Health Data 2009 — Frequently Requested Data
World Health Statistics 2009, WHO
Statistic Book 2009, Ministry of Health
Note: Exchange rate USD1 = RMB6.83

In 2007, the total health expenditure represented approximately 4.5% of China's GDP, which was relatively low as compared to approximately 16.0% of USA, approximately 11% of France, approximately 10.4% of Germany, approximately 10.1% of Canada and 8.7% of Italy according to WHO statistics. As a percentage of GDP, China's expenditure on healthcare was also the lowest among the nations listed, amounting to approximately 4.5% in 2007, compared to the second lowest of approximately 5.9% for Mexico and the highest of approximately 16.0% for the United States.

According to OECD Health Data 2009 and MOH, China ranked the lowest in terms of per capita expenditure on healthcare among the top selected OECD nations listed above and 121st among all listed nations in 2007. Per capita total expenditure on healthcare in China grew from approximately USD53 in 2000 to approximately USD125 in 2007, representing a CAGR of approximately 13.1%, which is comparable to the CAGR for per capita GDP in China between 2000 and 2007, which was approximately 13.4%. In terms of growth rate of per capita expenditure on healthcare between 2000 and 2007, China ranked the highest among the nations listed. As the Chinese economy continues to grow and the government continues to improve the quality of healthcare in China, we believe the healthcare market will continue to grow at a robust rate.

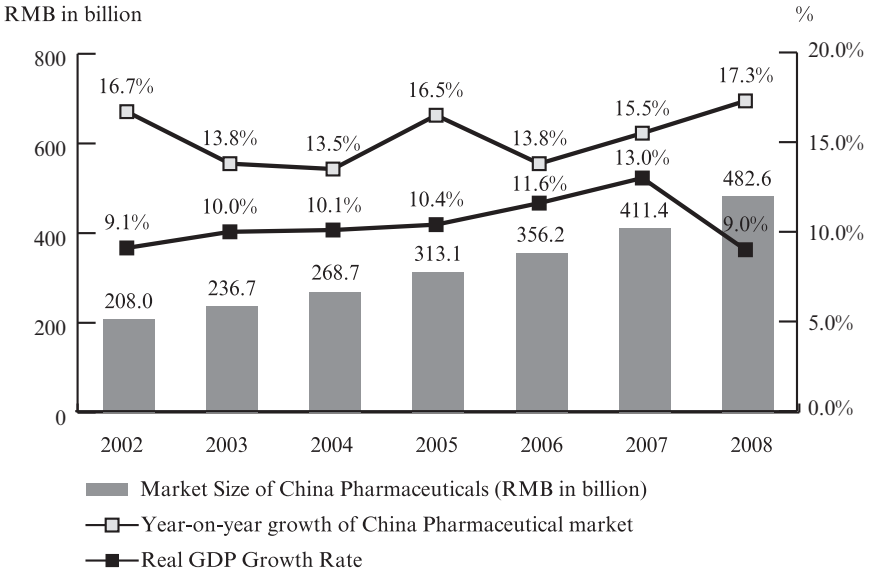
According to Ministry of Health, from 2002 to 2008, the total expenditure of the Chinese healthcare market has experienced approximately 13.3% CAGR growth in terms of expenditure, China's total healthcare expenditure was estimated to reach RMB1,222 billion (equivalent to approximately USD179 billion) in 2008, representing approximately 4.2% of the nation's total GDP.

PHARMACEUTICAL INDUSTRY IN CHINA

Overview

The pharmaceutical market in China has grown rapidly in recent years. One of the factors that drive the growth is the favorable macro environment in terms of the GDP growth and an increase in healthcare expenditure in China. With the growing economy driving the healthcare expansion, the pharmaceutical industry in China is projected to experience a significant growth in the future. Major changes are underway as China's healthcare expenditure is still far lower than its counterparts. The following chart shows the Chinese pharmaceutical market size from 2002–2008, together with the growth in terms of real GDP in the PRC during the same period.

China Pharmaceutical Market



Source: 廣州標點醫藥信息有限公司 (Guangzhou Biao Dian Medical Data Company Limited)

As compared to a CAGR of approximately 13.3% on China's total healthcare expenditure from 2002–2008, China's pharmaceutical industry has shown a similar growth trend with a CAGR of approximately 15.1% according to the BDCL Report. The graph above illustrates how growth in China pharmaceutical market has outpaced growth of China's real GDP from 2002 to 2008. It also shows that the China pharmaceutical market has continued to increase regardless the decrease in its real GDP from 2007 and 2008. It is, therefore, anticipated that the China pharmaceutical market will keep its rapid growth in the future. It is expected that the pharmaceutical market in China will grow at

approximately 20.4% CAGR between 2009 to 2010 and approximately 14.2% CAGR between 2011 to 2015, driven by rising disposable incomes and an aging Chinese population.

Driving forces for the pharmaceutical market in China

The principal growth drivers of the pharmaceutical market in China have historically included, and we believe will continue to include (i) increased income and health awareness of the Chinese population; (ii) increasing participation in the State Basic Medical Insurance System; (iii) aging population and prevalence of diseases among the middle and old aged population; and (iv) government initiatives relating to the pharmaceutical industry in China.

(i) Increased income and health awareness of the Chinese population

In addition to the GDP growth, China is experiencing a growth on disposable income. As such, consumers in China have strengthened their awareness of public health, increasing their focus on disease prevention, general wellness, and the early diagnosis of medical conditions. This has led to the demand for pharmaceuticals and healthcare related products, traditional Chinese medicines and herbal products. According to the China Statistical Yearbook 2008, from 2002 to 2008, the average per capita annual disposable income of China's urban residents increased from approximately RMB7,703 to RMB15,781 (equivalent to approximately USD1,128 to USD2,312), representing a CAGR of approximately 12.7%. For rural households, average per capita annual net income increased at a CAGR of approximately 11.5% from approximately RMB2,476 (equivalent to approximately USD363) in 2002 to RMB4,761 (equivalent to approximately USD697) in 2008. Households in both urban and rural areas in China have been spending an increasing proportion of their household expenditure on pharmaceuticals and medical services. According to the China Statistical Yearbook, from 2000 to 2007, the average spending on healthcare and medical services increased from approximately 6.4% to 7.0% of household expenditure for urban households and from approximately 6.8% to 7.6% for rural households. This in part reflects growing health awareness in the PRC. The substantial growth in disposable income of urban residents combined with the increase on awareness of public health and focus on disease prevention and general wellness will lead to greater demand for pharmaceuticals and healthcare related products.

(ii) Increasing participation in the State Basic Medical Insurance System

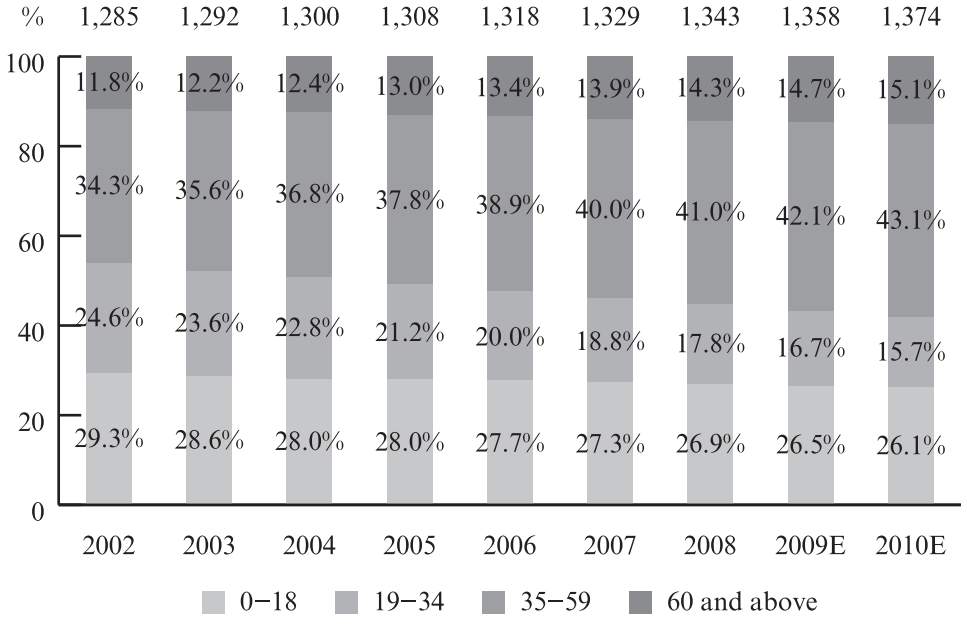
Participants in the State Basic Medical Insurance System are entitled to reimbursement from the social medical fund for a proportion of the cost of pharmaceuticals included in the Insurance Catalogue in accordance with the relevant regulations of the PRC. Please refer to section headed "Regulation — Insurance Catalogue" of this prospectus. According to the China Statistical Yearbook 2008, between 2000 and 2008, the urban population in China grew from approximately 36.2% to 43.0% of the total population, increasing the number of persons eligible to participate in the State Basic Medical Insurance System. The government expects to insure 390 million urban populations by year end 2009, representing an coverage of approximately 88%. It is believed that the historical increases in the number of

participants in the State Basic Medical Insurance System have contributed to the continued increase in the consumption of pharmaceuticals in China. This trend is anticipated to continue as the Eleventh Five Year Plan of China projects that the urban population in China will increase from approximately 43% to 47% of the China's total population between 2005 and 2010.

(iii) Aging population and prevalence of disease among the middle-aged and aged population

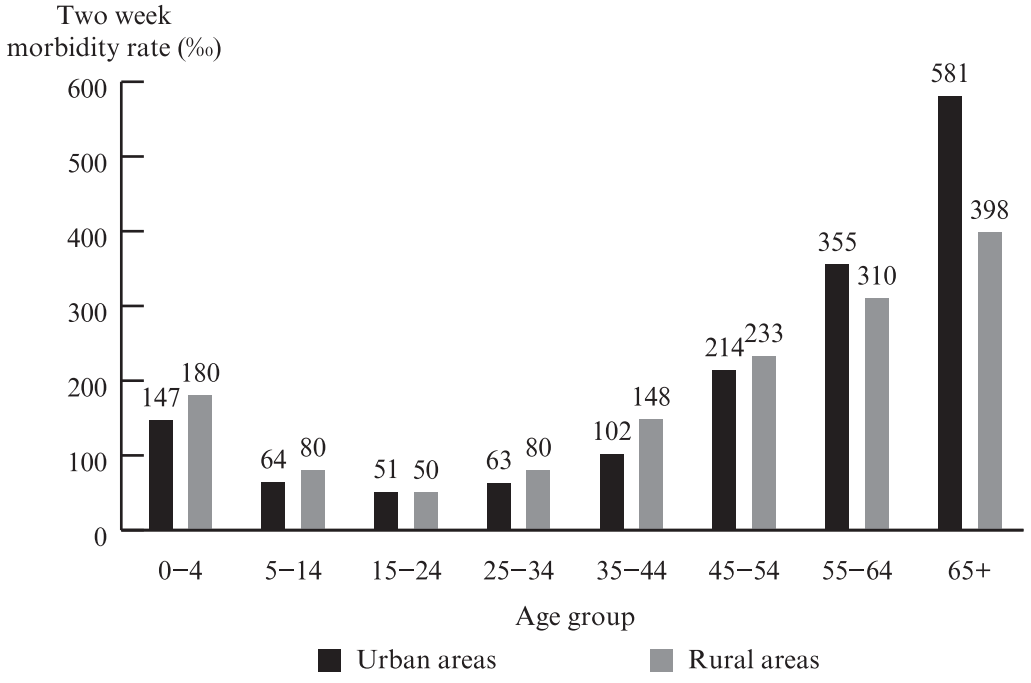
According to the China Statistical Yearbook, between 2000 and 2008, China's population increased from approximately 1,267 million to 1,328 million. Despite the relatively low growth rate in the total population during the period, China's population has been aging rapidly. The following chart shows the proportion of China's population aged 60 or above between 2002 and 2008 together with the forecast proportion from 2009E to 2010E according to the research report dated 17 December 2008 prepared by the Maxim Group. By 2011, this age group will increase to approximately 215.7 million, accounting for approximately 15.5% of the projected population in China.

Aging Demographic in China Favors the Healthcare Industry



Source: Maxim Group LLC, Research Division, The China Statistical Yearbooks and Frost & Sullivan

Prevalence of diseases and ailments requiring medical treatments increased rapidly with age in the PRC. The following chart illustrates the two-week morbidity rate by age group (representing the proportion of patients by age group in a given two-week period) for 2008 in urban and rural areas of the PRC with reference to Ministry of Health 2008 Statistics Book.



Source: Statistic Book 2008, Ministry of Health

As shown above, diseases and aliments requiring medical treatments are particularly prevalent among people aged 65 or above; this situation combined with the rapid aging of the PRC population have contributed to the continued increase in pharmaceutical sales in the PRC in recent years.

(iv) Government initiatives relating to the pharmaceutical industry in China

China's National Development and Reform Commission released its national healthcare proposal in October 2008 entitled "Chinese medical reform draft open to public debate" which is a policy guideline for the overall direction of the country's healthcare system over the next 10–20 years. In January 2009, a final draft for the healthcare reform was approved by the central government.

An estimated RMB850 billion (equivalent to approximately USD124 billion) will be injected by all levels of government over the following three years to achieve these short-term goals.

RMB850 billion government spending on healthcare through 2011

With the continual rise in China's GDP and the increasing purchasing power of the Chinese people, combined with an announced RMB850 billion (equivalent to approximately USD124 billion) government spending on healthcare through 2011, China is identified as the fast emerging market with the greatest growth potential and expected to rise to the 5th largest pharmaceutical market in 2011 according to the research report dated 17 December 2008 prepared by the Maxim Group. The three-year medical reform plan by the China's State Council initiated in 2009 called for acceleration in building basic medical insurance system and essential drug system, and promotion on primary health care facilities and pilot reform of State-run hospitals. 100 State-run hospitals chose from 12 cities will be designated as the pilot hospitals for the reform with number of employees and citizens in urban areas joining basic health insurance to reach 390 million by the end of 2009, an increase of 72 million from 2008. With RMB850 billion (equivalent to approximately USD124 billion) investment, the plan is considered to lay a solid foundation for equitable and universal access to essential health care for all in China by 2020.

Since the implementation of the healthcare reform stimulus package, China has already poured RMB71.6 billion (equivalent to approximately USD10.5 billion) into healthcare when a reform plan started in April, according to the figures provided by the State Council's Office of Health Care Reform. In addition, a list of drugs (the "Essential Drug List"), one of the most imperative components of a new essential drugs system for State-run hospitals is putting into place of an expected 30% rate of adoption by state-owned community health institutes and country-level hospitals.

Pursuant to the RMB850 billion (equivalent to approximately USD124 billion) in the next three years by 2011, the plan has five aspects, according to the Chinese Premier, Wen Jiabao:

(i) Expand the coverage of medical insurance; increase the amount of rural and urban population covered by the basic medical insurance system or the new rural cooperative medical system to at least 90% by 2011;

(ii) Build a basic pharmaceutical system that includes a catalogue of drugs that mostly needed by the public;

(iii) Improve medical service systems, in particular at the grassroots level. Build another 5,000 clinics at the township level, 2,000 hospitals at the county level and 2,400 urban community clinics in three years;

(iv) Gradually provide equal public health services in both rural and urban areas; and

(v) Commence to reform public hospitals.

RHEUMATOLOGY MARKET IN CHINA

Overview

According to the BDCL Report, there is approximately 342 million people suffering from arthritis and rheumatoid arthritis worldwide. In Asia, there is one out of six people suffering from arthritis. Currently, people suffering from arthritis amounted to over 100 million in China, representing approximately 29.2% of the total number in the world; while that of the U.S.A represented approximately 11.4%.

Rheumatic disease is a group of chronic diseases with uncommon epidemiology, affecting the joints and connective tissues. However, such group of diseases share two characteristics: they cause chronic pain, and they are difficult to treat. Rheumatoid Arthritis ("RA"), metabolic arthritis and osteoarthritis are the three main commonly diagnosed rheumatic diseases.

Prevalence of chronic diseases and aliments have direct effects towards demand for pharmaceuticals and medical services. The following table shows the prevalence rate of the ten major chronic diseases according to the Ministry of Health 2008 statistics.

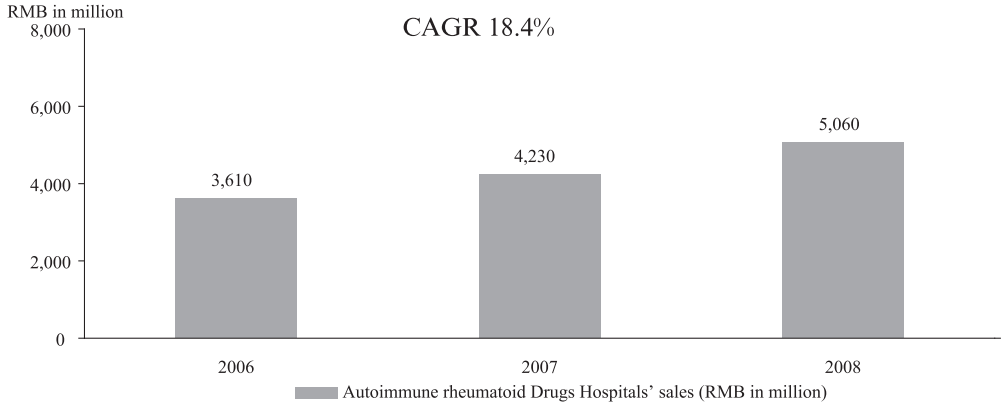
Prevalence Rate of ten Major Chronic Disease (‰)

Chronic Disease	Prevalence Rate (‰)
1. Hypertension	54.9
2. Gastroenteritis	10.7
3. Diabetes Mellitus	10.7
4. Rheumatoid Arthritis	**10.2**
5. Cerebrovascular Disease	9.7
6. Intervertebral disorder	9.5
7. COPD	6.9
8. Ischaemic Heart Disease	6.0
9. Cholelith & Cholecystitis	5.1
10. Peptic Ulcer	3.3

Source: Statistic Book 2008, Ministry of Health

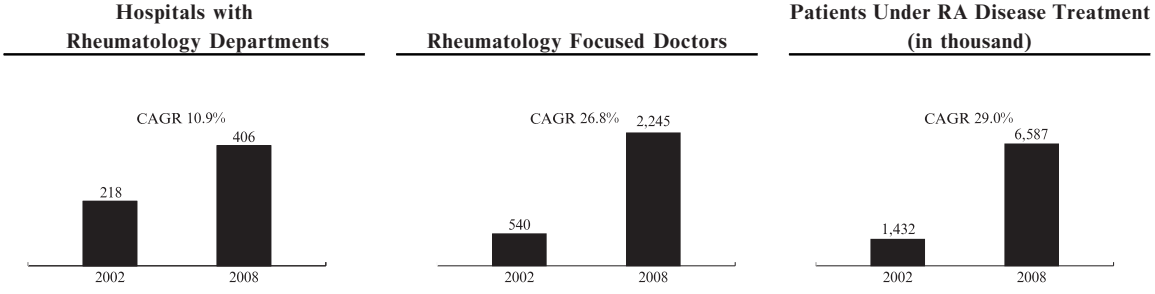
Of the above top ten chronic diseases in 2008 in terms of prevalence rate, rheumatoid arthritis ranks the fourth, which signifies the increasing demand for rheumatic treatment.

According to the BDCL Report, increasing usage of drugs to treat autoimmune rheumatic diseases in hospitals has been observed from the year 2006 to 2008, with a CAGR of approximately 18.4%. Sales of drugs to treat autoimmune rheumatic diseases by hospitals amounted to RMB5.1 billion (equivalent to approximately USD747 million) in 2008, representing a year-on-year increase of approximately 19.6% compared to 2007. The higher year-on-year growth rate as compared to the CAGR from 2006–2008 signifies the expanding market in China. The below graph illustrates the increasing usage of drugs to treat autoimmune rheumatic diseases in hospitals for the three years ended 2006, 2007 and 2008.



Source: 廣州標點醫藥信息有限公司 (Guangzhou Biao Dian Medical Data Company Limited)

Medical treatments for rheumatic diseases in China have only started to develop in recent years. With the increasing needs and focus on the treatment of rheumatic diseases, this particular industry has a high growth potential. Since 2002, the number of hospitals with rheumatology departments, rheumatic disease specialists and RA patients under treatment have increased significantly as demonstrated in below:



Source: 廣州標點醫藥信息有限公司 (Guangzhou Biao Dian Medical Data Company Limited)

According to the BDCL Report, while the number of hospitals with rheumatology departments has increased with a CAGR of approximately 10.9%, the number of RA patients under treatment and doctors specialized in rheumatology have grown with a CAGR of approximately 29.0% and 26.8% respectively from 2002–2008. Given the fact that China has one of the most rapidly growing pharmaceutical markets in the world, and a

vast and swiftly expanding prevalent population of rheumatic diseases, the pharmaceutical market and related medical services for the treatment of rheumatic diseases are expected to experience significant growth.

Five common rheumatic diseases

Rheumatoid arthritis

RA is the most common chronic inflammatory joint disease requiring long term and ongoing treatment. The most visible symptoms of RA are swollen joints and crippling stiffness, particularly of the hands and feet; which cause fatigue, fever, loss of appetite and also impedes mobility and quality of life. Currently, combination therapies between DMARDs and NSAIDs are commonly practiced. DMARDs remain as one of the major products in the market to treat RA. According to the Ministry of Health, RA in China has a prevalence rate of approximately 8.6‰ in 2003 and increased to approximately 10.2‰ in 2008. Based on the 1.3 billion Chinese population in 2008, number of RA patients reached about 13.5 million. The statistic recorded that RA ranks the fourth of the top ten major chronic diseases in China. China is experiencing a rising trend of the RA diseases.

Metabolic arthritis (Gout)

Metabolic arthritis, or gout, is a disorder characterized by recurrent acute arthritis, hyperuricemia and deposition of sodium urate in and around joints. There is an increasing trend of incidence of metabolic arthritis with the improvement of living standard of the Chinese population and change in their food intake structure. Metabolic arthritis is a disease hallmarked by elevated levels of uric acid in the bloodstream, where high levels of uric acid in the blood can be caused by foods with high purine content or the body's inability to excrete the uric acid fast enough. With the improvement of living standards, meat products comprise of a larger portion of a diet, which are one of the primary food groups with high purine content. The prevalence rate of metabolic arthritis among all age group is approximately 0.84‰; based on the 1.3 billion Chinese population in 2008, number of metabolic arthritis patients reached approximately 11.2 million. In addition, approximately 5%–12% of patients with high serum uric acid will develop into metabolic arthritis should they not be properly treated.

Osteoarthritis

Osteoarthritis ("OA") has similar characteristics to rheumatoid arthritis in terms of the need for long term treatment and usage of a range of drugs during the treatment. According to the BDCL Report, the total prevalence rate of osteoarthritis in the PRC was approximately 15%, prevalence rate of the 40-year-old age group was approximately 10% to 17%, prevalence rate of the 60-year-old age group was approximately 50%. For the over 75-year-old age group, approximately 80% are suffering from osteoarthritis.

Systemic lupus erythematosus, SLE

Systemic lupus erythematosus is an autoimmune chronic disease affecting the connective tissues. SLE is affecting people worldwide with differences across regions. According to the BDCL Report, the prevalence rate in the U.S., United Kingdom, Australia and India is approximately 0.5‰, 0.04‰–0.18‰, 0.5‰ and 0.03‰ respectively. The prevalence rate of SLE in China is approximately 0.7‰; based on the total population of China in 2008, the number SLE patients reached approximately 1.1 million.

Ankylosing spondylitis, AS

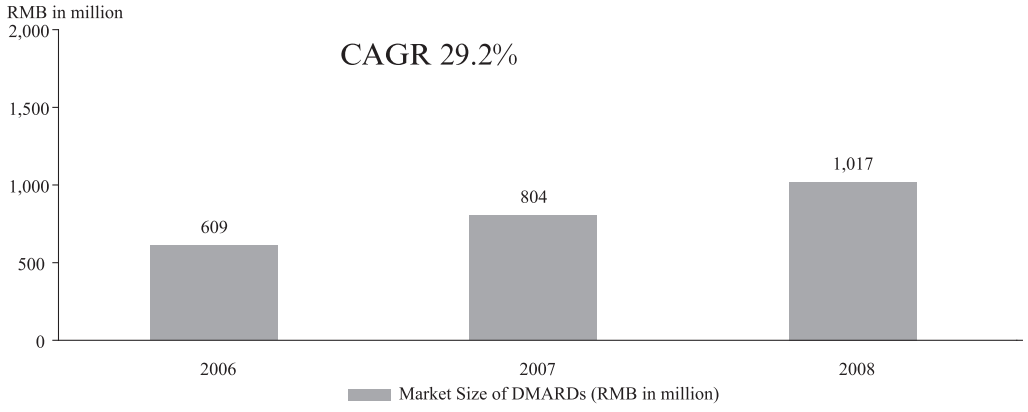
Ankylosing spondylitis is a chronic progressive disease affecting sacroiliac joints, protrusion of spine bone, soft tissues adjacent to the spine and peripheral joints, as well as parts other than the joints in the body. Patients with severe cases could result in deformed spin and rigidity of the joints. The prevalence rate of AS varies across different parts of the world; of which the prevalence rate in the U.S. and Japan is approximately 1.3‰–2.2‰ and 0.5‰–2.0‰ respectively. The prevalence rate of AS in China is approximately 2.6‰; based on the total population of China in 2008, the number AS patients reached approximately 4.1 million.

The therapeutic market

There are various types of pharmaceuticals to treat autoimmune rheumatic diseases namely anti-inflammatory and analgesic drugs, hormones, DMARDs and biological agents. Our Core Business currently focuses on the sale of DMARDs and anti-inflammatory and analgesics drugs.

DMARDs

According to the BDCL Report, the CAGR of the usage of DMARDs was approximately 29.2% from 2006 to 2008, which the sales was RMB1,017 million (equivalent to approximately USD149 million) in 2008. The below chart illustrates the market size:



Source: 廣州標點醫藥信息有限公司 (Guangzhou Biao Dian Medical Data Company Limited)

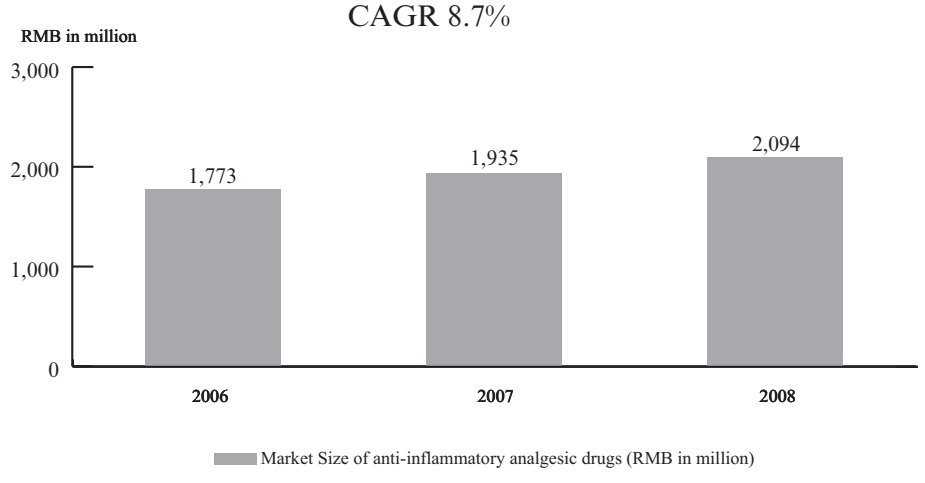
Ningbo Liwah's Pafulin and Tuoshu ranked No. 1 and No. 4 respectively, in terms of sales of DMARDs in 2008. From 2006 to 2008, the sales of Pafulin and Tuoshu have recorded a steady increase and reached RMB162 million (equivalent to approximately USD24 million) and RMB70 million (equivalent to approximately USD10 million) respectively in 2008, representing an annual growth rate of approximately 36.1% and 84.2% respectively as compared to 2007. Tuoshu has recorded a CAGR of approximately 109.2% from 2006 to 2008, which is the highest among the three major leflunomide products in the market. The trend is expected to be positive in the future.

According to BDCL Report, top five suppliers of DMARDs in the PRC in 2008 are as follows:

	Market Share		
	2006	2007	2008
Product			
Pafulin	14.1%	14.8%	15.9%
Airouhua	11.0%	9.1%	9.0%
Fenle	7.7%	8.2%	8.7%
Tuoshu	2.6%	4.7%	6.9%
Xinshandimingjiaonang	10.5%	7.7%	6.2%

Anti-inflammatory and analgesic drugs

According to the BDCL Report, the top five anti-inflammatory analgesic drugs belong to products of foreign-invested and joint-ventured enterprises. From 2006 to 2008, the CAGR of the use of anti-inflammatory and analgesic drugs was approximately 8.7% and sales was approximately RMB2,094 million (equivalent to approximately USD307 million) in 2008. The below chart illustrates the market size of the anti-inflammatory and analgesic drugs.



Source: *廣州標點醫藥信息有限公司 (Guangzhou Biao Dian Medical Data Company Limited)*

The Group has outperformed the rheumatology market in China, the pharmaceutical industry in China and the Chinese economy. The CAGR of China's real GDP Growth and China pharmaceutical market was approximately 11.9% and 16.4% respectively from 2006 to 2008, while the growth of the usage of drugs to treat autoimmune rheumatic diseases by hospitals in China and the Group's revenue was approximately 18.4% and 53.7% respectively, from 2007 to 2008.

PRICE CONTROL

The prices of certain pharmaceutical products sold in the PRC are subject to the control of the PRC government. In accordance with the existing price control policy in the PRC, pharmaceutical products are classified into two groups: (1) government-pricing pharmaceutical products; and (2) market-pricing pharmaceutical products.

Government-pricing pharmaceutical products comprise pharmaceutical products included in the Insurance Catalogue as well as those special medical products such as certain psychiatric medicines, immune medicines and contraceptive medicines whose production or trading will constitute monopolies. The prices of the government-pricing pharmaceutical products are subject to price control by the PRC government.

The pharmaceutical products which are not subject to price control are classified as market-pricing pharmaceutical products. The prices of those pharmaceutical products are determined at the discretion of the respective pharmaceutical enterprises, in certain cases, subject to reporting to the provincial pricing bureau.

However, sales of pharmaceutical products by pharmaceutical manufacturers in the PRC to overseas markets are not subject to any price control by the PRC government.

COMMERCIAL ANTI-CORRUPTION MEASURES

Most hospitals in China are owned and operated by the PRC Government, and revenue from its hospital pharmacies constitutes a significant portion of the total revenue of the hospitals. Hospitals procure their supplies of pharmaceutical products in bulk from manufacturers or distributors of pharmaceutical products, and generally decide whether to include a particular pharmaceutical product in their pharmacy based upon a number of factors, including doctors' preferences in prescribing the pharmaceutical product, the cost of the pharmaceutical product, the perceived efficacy of the medicine and the hospital's budget. Decisions by hospitals regarding whether to include a particular medicine in their pharmacies may be affected by corrupt practices. These practices generally include illegal kickbacks and other benefits offered by manufacturers or distributors of pharmaceutical products, and are primarily utilized by smaller manufacturers and distribution companies. These corrupt practices may also affect doctors' decisions regarding which types of medicine to prescribe. The PRC Government has strengthened its anti-corruption measures and has organized a series of government-sponsored anti-corruption campaigns in recent years. In particular, the Standing Committee of NPC amended the Criminal Law of PRC in 2006, increasing the penalties for corrupt business practices. The amendment of the Criminal Law of the PRC enhances regulation of pharmaceutical product suppliers to ensure they conduct business on fair and equal terms and, as a result, is expected to result in the standardization of the competitive market, increase consumer confidence and promote the further development of the pharmaceutical industry.

The Company was incorporated in the Cayman Islands on 10 September 2009 and as a result of the Reorganization became the holding company of our subsidiaries. As at the Latest Practicable Date, the Company was owned as to approximately 80.39% by CI Pharma China (which was indirectly wholly-owned by CIH, a company listed on the London Stock Exchange) and approximately 19.61% by Loyal Peace. Our Company, through the Intermediate Companies, owns indirect interests in our PRC operating subsidiaries, which are principally engaged in the development, production and sale of rheumatic specialty prescription western pharmaceuticals in the PRC. Our Group is also engaged in the production and sale of Other Pharmaceuticals in the PRC.

HISTORY AND DEVELOPMENT

As at the Latest Practicable Date, CIH indirectly owned our entire issued share capital and will indirectly own and control approximately 52.46% of our issued share capital (assuming that the Over-allotment Option is not exercised) immediately following the Share Offer.

CIH is principally engaged in the investment of companies in hotel, production, marketing and distribution of pharmaceutical products (through our Group), production and sale of health care products and its ingredients, research and development of injectable fillderm collagen implant for cosmetic dermal applications and releasing method of drugs including oral fast release form, sustained release form and the product of misoprostol.

The following is the history and development of each of the operating subsidiaries of our Group:

Ningbo Liwah

Ningbo Liwah was established on 6 January 1993 which was owned as to 40% by 寧波市藥材公司中藥製藥廠 (Ningbo City Pharmaceutical Company Chinese Pharmaceutical Production Factory) and 60% by Hong Kong Liwah Trading Co (香港立華貿易公司), a company incorporated in Hong Kong. At the time of its establishment, the principal businesses of Ningbo Liwah were the production and sale of modern Chinese extracts and OTC pharmaceutical products, principally in the form of Chinese medicine, tonic product, western pharmaceutical preparation and liquid medication.

On 18 August 1994, Hong Kong Liwah Trading Co (香港立華貿易公司) entered into a share purchase agreement with 寧波藥材股份有限公司 (Ningbo Pharmaceutical Company Limited), pursuant to which Hong Kong Liwah Trading Co (香港立華貿易公司) transferred its 25% equity interest in Ningbo Liwah to 寧波藥材股份有限公司 (Ningbo Pharmaceutical Company Limited). On the same date, 寧波市藥材公司中藥製藥廠 (Ningbo City Pharmaceutical Company Chinese Pharmaceutical Production Factory) transferred its 40% equity interest in Ningbo Liwah to 寧波藥材股份有限公司 (Ningbo Pharmaceutical Company Limited). Thereafter, Ningbo Liwah was held as to 65% by 寧波藥材股份有限公司 (Ningbo Pharmaceutical Company Limited), an Independent Third Party and 35% by Hong Kong Liwah Trading Co (香港立華貿易公司).

On 28 August 2002, 寧波藥材股份有限公司 (Ningbo Pharmaceutical Company Limited) entered into a share purchase agreement with Shenzhen Sanjiu, pursuant to which 寧波藥材股份有限公司 (Ningbo Pharmaceutical Company Limited) transferred its 45% equity interest in Ningbo Liwah to Shenzhen Sanjiu at a consideration of RMB4.36 million (equivalent to approximately USD0.6 million) which was determined with reference to the net asset value of Ningbo Liwah according to an independent valuation report. On 21 October 2002, 寧波藥材股份有限公司 (Ningbo Pharmaceutical Company Limited) entered into a share purchase agreement with 深圳強盟實業有限公司 (Shenzhen Qiangmeng Enterprises Company Limited) ("**Shenzhen Qiangmeng**"), pursuant to which 寧波藥材股份有限公司 (Ningbo Pharmaceutical Company Limited) transferred its 20% equity interest in Ningbo Liwah to Shenzhen Qiangmeng at a consideration of RMB1,938,000 (equivalent to approximately USD283,914) which was determined with reference to the net asset value of Ningbo Liwah according to an independent valuation report. On 30 October 2002, Hong Kong Liwah Trading Co (香港立華貿易公司) entered into a share purchase agreement with Jiusheng Trading Company Limited (九生貿易有限公司), pursuant to which Hong Kong Liwah Trading Co (香港立華貿易公司) transferred its 35% equity interest in Ningbo Liwah to Jiusheng Trading Company Limited (九生貿易有限公司) at a consideration of USD350,000 based on arm's length negotiation between the parties based on the registered capital of the 35% equity interest in Ningbo Liwah. Thereafter, Ningbo Liwah was held as to 45% by Shenzhen Sanjiu, 35% by Jiusheng Trading Company Limited (九生貿易有限公司) and 20% by Shenzhen Qiangmeng. At that time of the acquisition, Shenzhen Qiangmeng was owned as to 34% by Shenzhen Lansen. Since Mr. Xu Jun and Mr. Liu Xiao Dong, our executive Directors, had extensive experience in the pharmaceutical industry through their respective working experience in Shenzhen Sanjiu, they were invited by Ningbo Liwah to become senior management members of Ningbo Liwah.

On 23 December 2004, Jiusheng Trading Company Limited (九生貿易有限公司) entered into a share purchase agreement with Wang Ting (王艇), pursuant to which Jiusheng Trading Company Limited (九生貿易有限公司) transferred its 35% equity interests in Ningbo Liwah to Wang Ting (王艇) at a consideration of USD350,000 based on arm's length negotiation between the parties based on the registered capital of the 35% equity interest in Ningbo Liwah. Thereafter, Ningbo Liwah was owned as to 45% by Shenzhen Sanjiu, 35% by Wang Ting (王艇), and 20% by Shenzhen Qiangmeng. On 14 March 2005, CIH through Brilliant Manufacture, its wholly owned subsidiary, acquired the 45% equity interests in Ningbo Liwah from Shenzhen Sanjiu at a consideration of USD533,909 which was determined with reference to the net asset value of Ningbo Liwah according to an independent valuation report. According to the PRC legal advisor of the Company, the articles of association of Shenzhen Sanjiu at the time of transfer allows its board of directors to dispose of its assets with a consideration of not more than 10% of the net asset value of Shenzhen Sanjiu. The PRC legal advisor of the Company also confirmed that, based on the published audited accounts of Shenzhen Sanjiu for the year ended 31 December 2004, the 45% equity interests of Ningbo Liwah held by Shenzhen Sanjiu did not exceed 10% of the net asset value of Shenzhen Sanjiu; and therefore, the board of directors of Shenzhen Sanjiu had sufficient and appropriate authority to dispose of 45% of the equity interest in Ningbo

Liwah by way of board resolutions passed on 24 April 2005. On 10 May 2005, Brilliant Manufacture acquired the remaining 35% and 20% equity interests in Ningbo Liwah from Wang Ting (王艇) and Shenzhen Qiangmeng at a consideration of USD350,000 and USD237,293 respectively pursuant to which Ningbo Liwah became an indirectly wholly-owned subsidiary of our Group. The above considerations were determined with reference to the net asset value of Ningbo Liwah according to an independent valuation report. Save as the fact that Mr. Xu Jun and Mr. Liu Xiao Dong, both are our executive Directors, were directors of Ningbo Liwah at the time of this acquisition, the other parties to the above acquisition were independent of CIH.

Upon completion of the above acquisitions, Ningbo Liwah then began the production of rheumatic specialty prescription western pharmaceuticals (i.e. Pafulin) for the Group, after acquiring the medicine approval document (藥品補充申請批件) of Pafulin from Shenzhen Sanjiu in 2005, while continuing the manufacturing and sale of other pharmaceuticals with no specific therapeutic focus. Ningbo Liwah obtained the GMP certification for production of tablets, capsules, granules, syrup, oral solution, mixture, oral solutions (including Chinese medicine extracts) and bulk pharmaceuticals (Huperzine A) in 2004 and GMP certifications for production of bulk pharmaceuticals (Capsaicin), cream and bulk pharmaceuticals (Total Glucosides of White Peony) in 2005. Please refer to the section headed "Business — Production — Manufacturing facilities" for details. Ningbo Liwah was then primarily engaged in the production of western pharmaceuticals in the treatment of rheumatic diseases, production and sale of OTC pharmaceuticals and the sale of modern Chinese medicine extracts produced by Liwah Zhiti.

Merger of Ningbo Lansen Pharma Technology by Ningbo Liwah

Ningbo Lansen Pharma Technology was established on 30 September 2005 which was owned as to 75% by Ningbo Liwah and 25% by Flash Universal, a wholly owned subsidiary of our Company. The principal business of Ningbo Lansen Pharma Technology is the research and development of production technology of oral fast release drugs, which are OTC pharmaceuticals.

On 26 September 2008, Ningbo Liwah acquired 25% equity interest of Ningbo Lansen Pharma Technology from Flash Universal.

As Ningbo Liwah also manufactures and sells OTC pharmaceuticals, in order to streamline the business of the Group to achieve greater business synergy, it was decided to merge the business of Ningbo Liwah and Ningbo Lansen Pharma Technology. On 14 April 2009, the merger of Ningbo Lansen Pharma Technology by Ningbo Liwah was approved and the business registration of Ningbo Lansen Pharma Technology was cancelled on 29 April 2009.

Shenzhen Lansen

Shenzhen Lansen was established on 27 December 2001 which was owned as to 90% by 深圳市鼎新投資有限公司 (Shenzhen Dingxin Investment Company Limited) ("**Shenzhen Dingxin**") and 10% by 深圳市南光美大康醫藥有限公司 (Shenzhen City

Nanguang Meidaikang Medical Company Limited) ("**Shenzhen Nanguang**"), both are companies established in the PRC. The associates of Mr. Xu Jun and Mr. Liu Xiao Dong were interested in 14% and 10% equity interest in Shenzhen Dingxin respectively. At the time of its establishment, the principal business of Shenzhen Lansen was the marketing and distribution of rheumatic specialty prescription western pharmaceuticals acquired from third parties. On 1 January 2002, Mr. Xu Jun and Mr. Liu Xiao Dong ceased to be employees of Shenzhen Sanjiu and were appointed as the general manager and deputy general manager of Shenzhen Lansen respectively with effect from 1 January 2002.

On 4 February 2002, Shenzhen Nanguang entered into a share purchase agreement with 深圳市六安實業有限公司 (Shenzhen City Liuan Enterprise Company Limited), pursuant to which Shenzhen Nanguang transferred its 10% equity interests in Shenzhen Lansen to 深圳市六安實業有限公司 (Shenzhen City Liuan Enterprise Company Limited) at a consideration of RMB250,000 (equivalent to approximately USD36,625) based on arm's length negotiation between the parties with reference to the registered capital of the 10% equity interest in Shenzhen Lansen. Thereafter, Shenzhen Lansen was held as to 90% by Shenzhen Dingxin and 10% by 深圳市六安實業有限公司 (Shenzhen City Liuan Enterprise Company Limited).

On 13 May 2003, 深圳市六安實業有限公司 (Shenzhen City Liuan Enterprise Company Limited) entered into a share purchase agreement with Shenzhen Qiangmeng, pursuant to which 深圳市六安實業有限公司 (Shenzhen City Liuan Enterprise Company Limited) transferred its 10% equity interests in Shenzhen Lansen to Shenzhen Qiangmeng at a consideration of RMB250,000 (equivalent to approximately USD36,625) based on arm's length negotiation between the parties with reference to the registered capital of the 10% equity interest in Shenzhen Lansen. Thereafter, Shenzhen Lansen was held as to 90% by Shenzhen Dingxin and 10% by Shenzhen Qiangmeng.

On 11 March 2005, Shenzhen Dingxin entered into a share purchase agreement with Ningbo Liwah, pursuant to which Shenzhen Dingxin transferred its 90% equity interests in Shenzhen Lansen to Ningbo Liwah at a consideration of RMB2.25 million (equivalent to approximately USD0.3 million) based on arm's length negotiation between the parties with reference to the registered capital of the 90% equity interest in Shenzhen Lansen. Thereafter, Shenzhen Lansen was held as to 90% by Ningbo Liwah and 10% by Shenzhen Qiangmeng.

Save for Shenzhen Dingxin, Shenzhen Nanguang and Shenzhen Qiangmeng being shareholders of Shenzhen Lansen, the Directors are not aware of any other relationship between Shenzhen Dingxin, Shenzhen Nanguang, Shenzhen Qiangmeng and Shenzhen Sanjiu. During the period from 2002 to 2005, Shenzhen Lansen was one of the customers of Shenzhen Sanjiu, and save as above, there was no other relationship between Shenzhen Lansen and Shenzhen Sanjiu.

Shenzhen Lansen obtained the GSP certification in 2003 and it launched Jinlang (Capsaicin Ointment) under agency distribution in the same year.

On 26 April 2005, CIH through Horizon Network, its wholly owned subsidiary, acquired the 90% and 10% equity interests in Shenzhen Lansen from Ningbo Liwah and Shenzhen Qiangmeng respectively, at a consideration of approximately USD221,948 and USD24,661 respectively, pursuant to which Shenzhen Lansen became an indirectly wholly-owned subsidiary of our Company. The consideration was determined with reference to the net asset value of Shenzhen Lansen according to an independent valuation report. Save as the fact that Ningbo Liwah was a subsidiary of CIH and Mr. Xu Jun and Mr. Liu Xiao Dong, both are our executive Directors, were directors of Shenzhen Lansen at the time of this acquisition, the other parties to the above acquisition were independent of CIH.

Shenzhen Lansen launched the products Yisuojia (Glucosamine Sulphate Capsules), Tuoshu (Leflunomide Tablets) and Liupuan (Glucosamine Potassium Sulfate Capsules) under agency distribution in 2005, 2006 and 2007 respectively.

Upon completion of the above acquisitions, Shenzhen Lansen continued its principal business in the marketing and distribution of rheumatic specialty prescription western pharmaceuticals and became the principal marketing and distribution arm of rheumatic specialty prescription western pharmaceuticals produced by Ningbo Liwah.

Liwah Zhiti

Prior to the acquisition of Ningbo Liwah by CIH Group in 2005, the manufacturing of modern Chinese medicine extracts was a division within Ningbo Liwah.

We established Liwah Zhiti on 30 September 2005 in order to separate the manufacturing of modern Chinese medicine extracts from Ningbo Liwah for better management. Liwah Zhiti was owned as to 22.2% by Ningbo Liwah and 77.8% by Magnificent Worldwide.

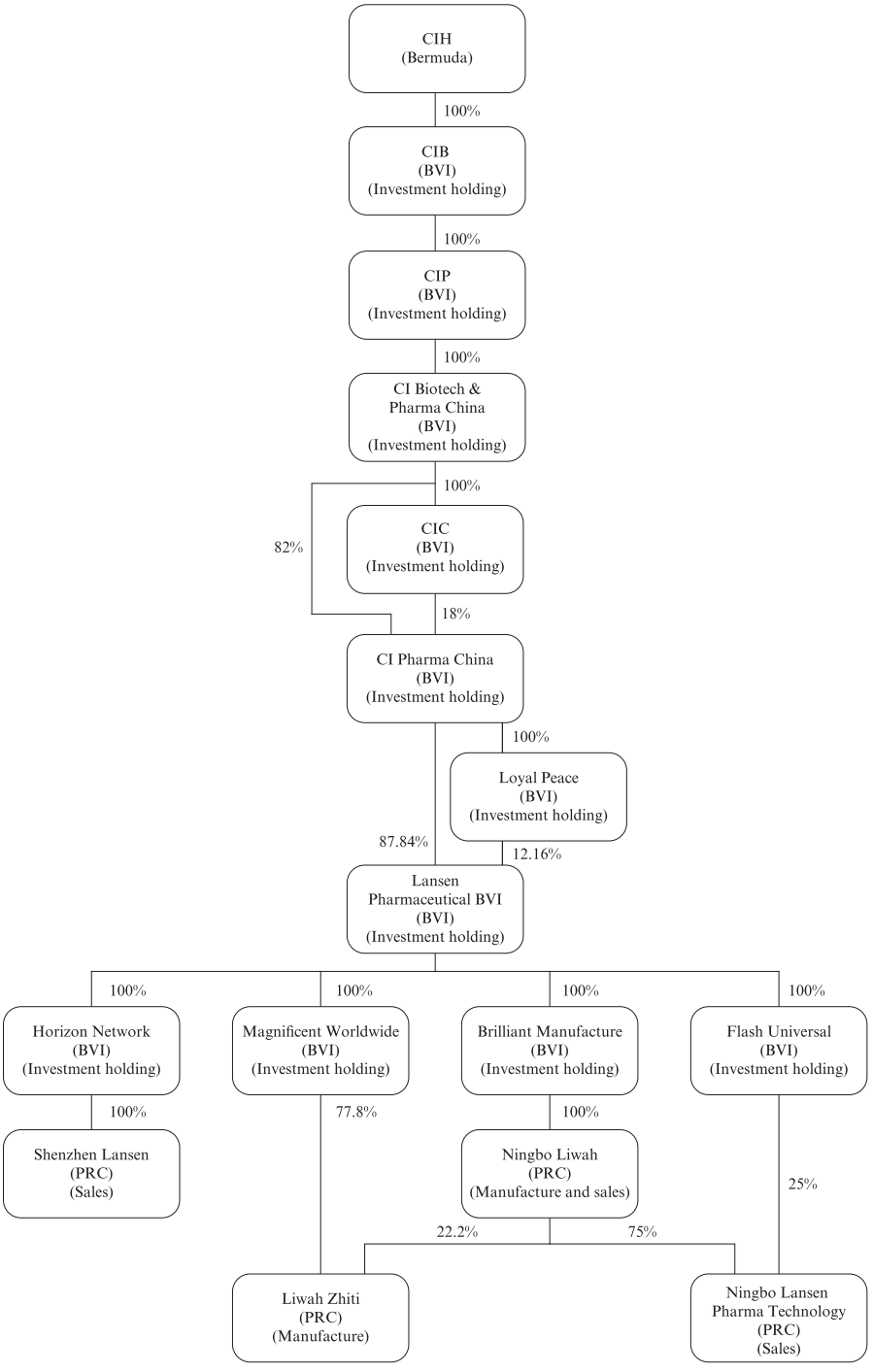
Ningbo Lansen

We established Ningbo Lansen on 18 May 2009 to expand our rheumatic specialty western pharmaceuticals sale network. Ningbo Lansen was wholly-owned as to 75% by Ningbo Liwah and 25% by Flash Universal.

Ningbo Lansen obtained the GSP certificate on 16 April 2010.

REORGANIZATION

The following chart sets forth our corporate and shareholding structure immediately prior to our Reorganization:



In preparation for the listing of our Shares on the Stock Exchange, the companies comprising our Group underwent the Reorganization. Details of our Reorganization involved the following major steps:

1. Incorporation of Point Kin

Point Kin was incorporated in Hong Kong on 25 September 2007 with limited liability. One ordinary share with par value of HK$1.00, representing its entire issued share capital, was transferred from its subscriber to Brilliant Manufacture on 15 October 2007.

2. Transfer of the entire equity interest of Ningbo Liwah to Point Kin

On 8 January 2008, Point Kin entered into a share transfer agreement with Brilliant Manufacture to acquire the entire equity interest in Ningbo Liwah from Brilliant Manufacture at a consideration of RMB79,700,000 (equivalent to approximately USD11,675,945).

3. Transfer of 22.2% equity interest of Liwah Zhiti from Ningbo Liwah to Magnificent Worldwide

On 30 June 2008, Magnificent Worldwide entered into a share transfer agreement with Ningbo Liwah to acquire 22.2% equity interest in Liwah Zhiti from Ningbo Liwah at a consideration of RMB4,000,000 (equivalent to approximately USD585,995), pursuant to which Liwah Zhiti became a wholly owned subsidiary of Magnificent Worldwide.

4. Transfer of the entire equity interest of Shenzhen Lansen from Horizon Network to Ningbo Liwah

On 26 August 2008, Ningbo Liwah entered into a share transfer agreement with Horizon Network to acquire the entire equity interest of Shenzhen Lansen from Horizon Network at a consideration of RMB29,000,000 (equivalent to approximately USD4,248,462), pursuant to which Shenzhen Lansen became a wholly owned subsidiary of Ningbo Liwah.

5. Transfer of 25% equity interest of Ningbo Lansen Pharma Technology from Flash Universal to Ningbo Liwah

On 26 September 2008, Ningbo Liwah entered into a share transfer agreement with Flash Universal to acquire 25% equity interest of Ningbo Lansen Pharma Technology from Flash Universal at a consideration of RMB16,000,000 (equivalent to approximately USD2,343,979).

6. Merger of Ningbo Lansen Pharma Technology by Ningbo Liwah and establishment of Ningbo Lansen

Ningbo Foreign Trade & Economic Cooperation Bureau (寧波市對外貿易經濟合作局) approved the merger of Ningbo Lansen Pharma Technology by Ningbo Liwah on 14 April 2009. The business registration of Ningbo Lansen Pharma Technology was cancelled on 29 April 2009.

Ningbo Lansen was established in the PRC on 18 May 2009 which was owned as to 75% by Ningbo Liwah and 25% by Flash Universal.

7. Incorporation of Liwah Plant Extract HK and Lansen Pharmaceutical HK

The following intermediate Hong Kong holding companies were incorporated:

Liwah Plant Extract HK

Liwah Plant Extract HK was incorporated in Hong Kong on 27 July 2009 with limited liability. One ordinary share with par value of HK$1.00, representing its entire issued share capital, was allotted and issued to Magnificent Worldwide.

Lansen Pharmaceutical HK

Lansen Pharmaceutical HK was incorporated in Hong Kong on 27 July 2009 with limited liability. One ordinary share with par value of HK$1.00, representing its entire issued share capital, was allotted and issued to Flash Universal.

8. Transfer of the entire equity interest of Liwah Zhiti and the 25% equity interest of Ningbo Lansen to Liwah Plant Extract HK and Lansen Pharmaceutical HK

On 30 July 2009, Liwah Plant Extract HK entered into a share transfer agreement with Magnificent Worldwide to acquire the entire equity interest in Liwah Zhiti from Magnificent Worldwide at a consideration of RMB20,700,000 (equivalent to approximately USD3,032,523).

On 3 August 2009, Lansen Pharmaceutical HK entered into a share transfer agreement with Flash Universal to acquire the 25% equity interest in Ningbo Lansen from Flash Universal at a consideration of RMB5,000,000 (equivalent to approximately USD732,493).

9. Incorporation of the Company

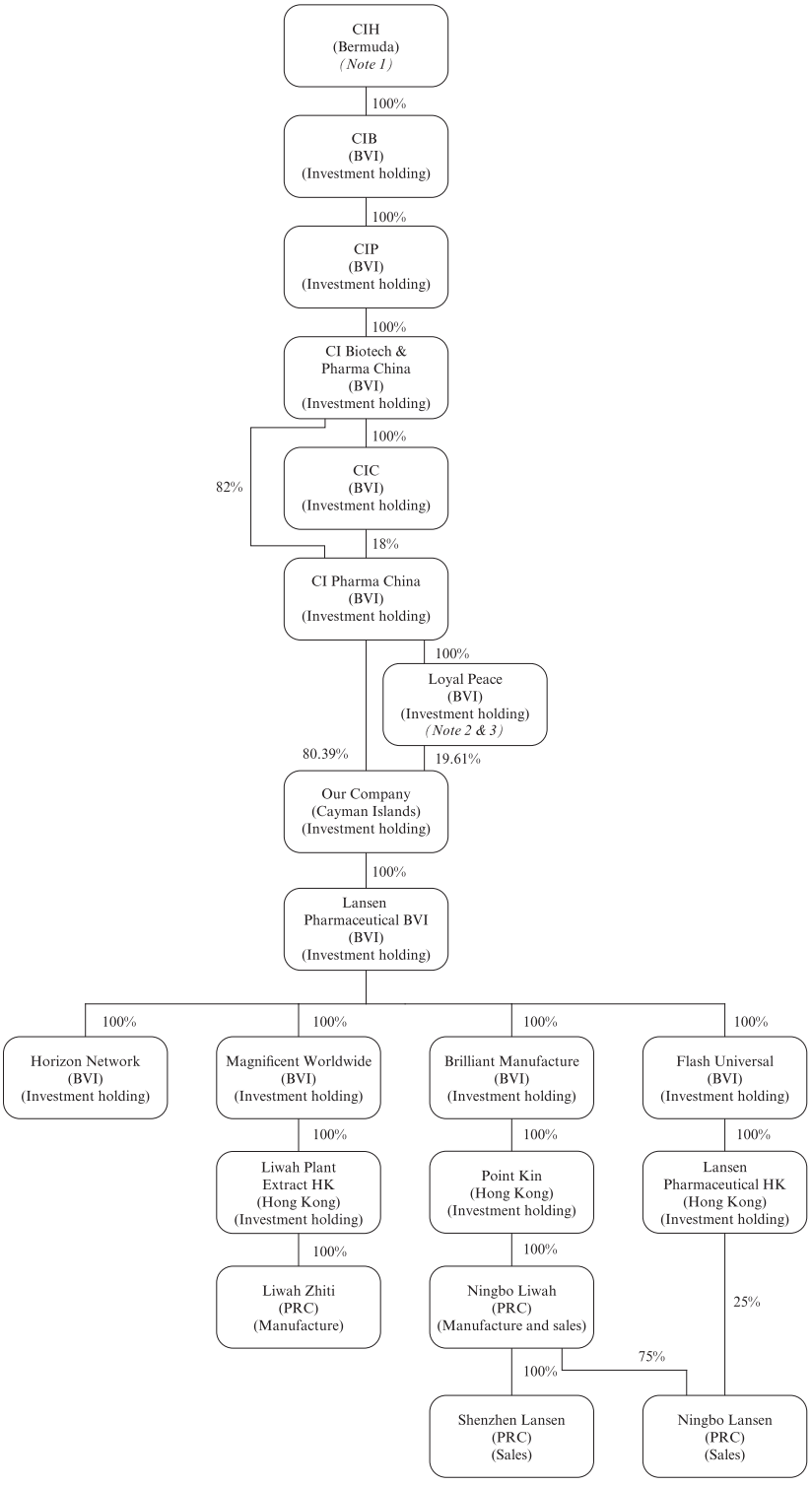
The Company was incorporated as an exempted company with limited liability under the laws of Cayman Islands on 10 September 2009 and will act as the ultimate holding company of the Group. As at the date of incorporation of the Company, the authorised share capital of the Company was USD200,000,000 divided into 20,000,000,000 Shares of which one Share was allotted and issued to Reid Services Limited, and was transferred to CI Pharma China on 10 September 2009.

10. Acquisition of Lansen Pharmaceutical BVI by the Company

On 21 April 2010, the Company entered into a share purchase agreement with CI Pharma China and Loyal Peace, pursuant to which the Company acquired the entire issued share capital of Lansen Pharmaceutical BVI from CI Pharma China and Loyal Peace, in consideration of and in exchange for which, the Company will allot and issue, credited as fully paid, an aggregate of 241,169,999 new Shares to CI Pharm China and 58,830,000 new Shares to Loyal Peace.

GROUP STRUCTURE

The following chart set forth our shareholding structure immediately after the Reorganization but before completion of the Share Offer:



Notes:

1. *As at the Latest Practicable Date, CIH was held as to approximately 60.99% by Cathay International Enterprises Limited, a company owned by a trust of which Mr. Wu Zhen Tao and his family are beneficiaries, approximately 0.52% by Mr. Sum Soon Lim, approximately 0.52% by Mr. Toong Kenneth Ken Kwok and approximately 0.14% by Mr. Lee Jin Yi (Mr. Wu Zhen Tao, Mr. Sum Soon Lim, Mr. Toong Kenneth Ken Kwok and Mr. Lee Jin Yi are all directors of CIH. Mr Lee Jin Yi is also a non-executive Director of the Company), approximately 6.14% was held by Simon Phillips and approximately 6.17% by AlphaGen Volantis Fund Limited (both are Independent Third Parties) and the remaining approximately 25.52% were held by the public.*

2. *Loyal Peace became a shareholder of Lansen Pharmaceutical BVI since 30 May 2006 and is the vehicle nominated by CIH to hold certain shares of Lansen Pharmaceutical BVI which are earnout shares earmarked for the then management team of Ningbo Liwah and Shenzhen Lansen. The issuance of earnout shares is part of the consideration payable to the then management team of Ningbo Liwah and Shenzhen Lansen for procuring the sale and purchase of the 100% equity interest of Ningbo Liwah and Shenzhen Lansen, and the establishment of the key management team of the Group and their contribution to the Group, and would be issued to the management team of Ningbo Liwah and Shenzhen Lansen if Ningbo Liwah and Shenzhen Lansen could achieve the agreed performance milestones. The performance milestones were agreed under a shareholders' agreement signed, among others, CI Pharma China and the management team of Ningbo Liwah and Shenzhen Lansen at the time of acquisition of Ningbo Liwah and Shenzhen Lansen. The performance milestones were then subsequently amended as agreed among the parties as follows:*

   (i) audited consolidated gross profit of all PRC subsidiaries of the Group attaining RMB160 million for the year ended 31 December 2008, with net cash flow over RMB20 million and certain other management targets;

   (ii) audited consolidated net profit of all PRC subsidiaries of the Group attaining RMB18 million for the year ended 31 December 2008 and certain other management targets;

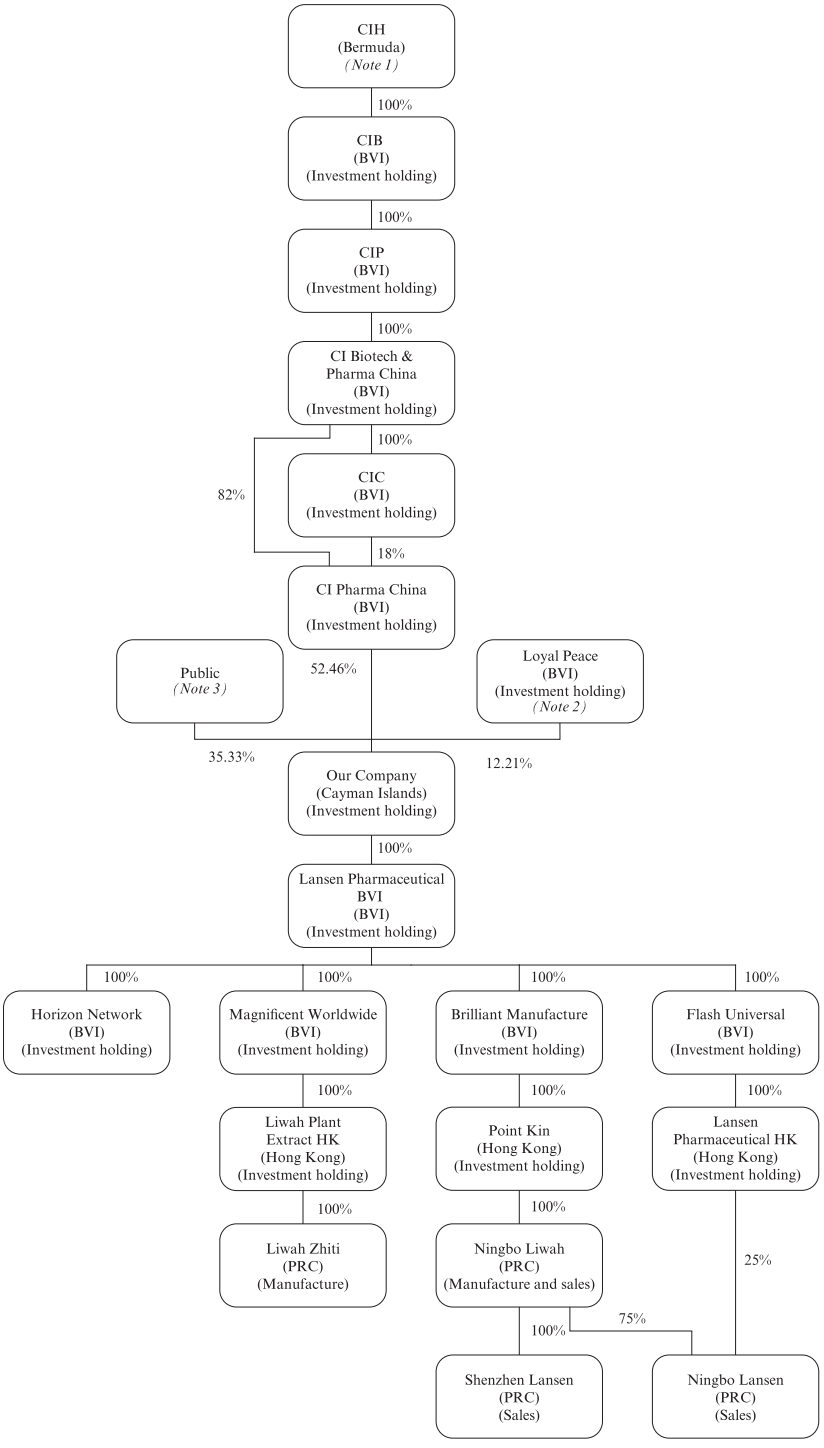
   (iii) audited consolidated net profit of all PRC subsidiaries of the Group attaining RMB45 million for any one financial year between 2008 to 2010 and certain other management targets; and

   (iv) listing of the Group on the Main Board of the Stock Exchange.

   Such shares in Lansen Pharmaceutical BVI are treated as treasury stocks in the books of Lansen Pharmaceutical BVI. As at 31 December 2009, Loyal Peace held in aggregate approximately 12.16% shareholding interests in Lansen Pharmaceutical BVI which were certain earnout shares transferred from Lansen Pharmaceutical BVI and no consideration was paid by Loyal Peace for such shares. As at the Latest Practicable Date, all the above performance milestones (other than the Listing) have been attained and the management will be entitled to all the earnout shares held by Loyal Peace upon the Listing.

3. *Loyal Peace is established for the purpose of holding shareholding interest of our Company with a view that such shareholding interests so held is to be for the benefit (if any) of certain senior management members of our Company. As at the Latest Practicable Date, Loyal Peace held in aggregate approximately 19.61% shareholding interests of the Company (the "**Management Shares**").*

The following chart set forth our shareholding structure immediately upon completion of the Share Offer (assuming the Over-allotment Option is not exercised) will be as follows:



Notes:

1. *As at the Latest Practicable Date, CIH was held as to approximately 60.99% by Cathay International Enterprises Limited, a company owned by a trust of which Mr. Wu Zhen Tao and his family are beneficiaries, approximately 0.52% by Mr. Sum Soon Lim, approximately 0.52% by Mr. Toong Kenneth Ken Kwok and approximately 0.14% by Mr. Lee Jin Yi (Mr. Wu Zhen Tao, Mr. Sum Soon Lim, Mr. Toong Kenneth Ken Kwok and Mr. Lee Jin Yi are all directors of CIH. Mr Lee Jin Yi is also a non-executive Director of the Company), approximately 6.14% was held by Simon Phillips and approximately 6.17% by AlphaGen Volantis Fund Limited (both are Independent Third Parties) and the remaining approximately 25.52% were held by the public.*

2. *Loyal Peace is the vehicle nominated by CIH to hold certain shares of Lansen Pharmaceutical BVI which are earnout shares earmarked for the then management team of Ningbo Liwah and Shenzhen Lansen. The issuance of earnout shares is part of the consideration payable to the then management team of Ningbo Liwah and Shenzhen Lansen for procuring the sale and purchase of 100% interest of Ningbo Liwah and Shenzhen Lansen, the establishment of the key management team of the Group and the contribution of the then management's expertise to the Group.*

   The earnout shares were first allotted to the then management team of Ningbo Liwah and Shenzhen Lansen. Pursuant to the subsequent negotiations between CI Pharma China and the management team in relation to the performance of the management team, it was agreed that the earnout shares held by the management team would be transferred to Loyal Peace to hold the earnout shares for the management team.

   *The senior management has set up a discretionary trust ("**Management Trust**") with beneficiaries intended to be certain management members and employees of the Group and/or their respective family and/or charity organizations. The trustee of the Management Trust is Ever Sail which shall have the discretion to distribute trust assets in the form of Shares to beneficiaries.*

   If the beneficiaries ceased employment with the Group, they may cease to have any interest in their respective shares which are still subject to the release schedule. The Shares for those beneficiaries will be retained by the trustee for the benefit of the remaining beneficiaries, the remaining beneficiaries will have the right to purchase those Shares, and if the remaining beneficiaries fail to pay the consideration for those shares within two years from the date of cessation of employment with the Group, the Company will be entitled to repurchase the Shares in accordance with the applicable laws and regulations.

   Conditional upon the Listing, the share of Loyal Peace held by CI Pharma China will be transferred to Ever Sail to be held on trust for the Management Trust. As the issuance of earnout shares is part of the consideration payable to the then management team of Ningbo Liwah and Shenzhen Lansen, no consideration is payable for the transfer of shares of Loyal Peace from CI Pharma China to Ever sail. With a view to ensure the smooth operation of the trust structure and immediately after the completion of Listing and upon the transfer of the share of Loyal Peace to Ever Sail, the share of the Management Shares registered under the name of Loyal Peace will be deposited and held by Grand Pacific Investment Limited (茂通投資有限公司), a company incorporated in Hong Kong and an independent escrow agent. The share of the Management Shares registered under the name of Loyal Peace for the benefit of the beneficiaries of the Management Trust shall be released by the independent escrow agent to Loyal Peace according to the following schedule:

   (i) 10% to be released on the date after ending of the No Selling Period (as defined in the section headed "Relationship with Controlling Shareholder — Selling Restrictions Agreement" of this prospectus);

   (ii) 20% to be released on the date one year from the commencement of the Selling Restrictions Period (as defined in the section headed "Relationship with Controlling Shareholder — Selling Restrictions Agreement" of this prospectus);

   (iii) 20% to be released on the date two years from the commencement of the Selling Restrictions Period;

   (iv) 20% to be released on the date three years from the commencement of the Selling Restrictions Period; and

   (v) 30% to be released on the date four years from the commencement of the Selling Restrictions Period.

Unless otherwise agreed by the Company, CI Pharma China, Loyal Peace, Mr. Xu Jun, Mr. Liu Xiao Dong and Mr. Xie Hong Wei (the parties to the Selling Restrictions Agreement (as defined in the section headed "Relationship with Controlling Shareholder — Selling Restrictions Agreement" of this prospectus), (who are also beneficiaries of the Management Trust) in writing, the release schedule (including the time and percent) set out above will not change. See also section headed "Relationship with Controlling Shareholder — Selling Restrictions Agreement" of this prospectus.

Ever Sail as the trustee of the Management Trust shall have the discretion to transfer assets of the Management Trust from time to time (which may comprise Management Shares and/or, dividends and other distributions deriving from such Management Shares from time to time) to the beneficiaries of the Management Trust in accordance with their percentage beneficial entitlement thereto. As at the Latest Practicable Date, the beneficiaries of the Management Trust and their respective entitlements pursuant to the arrangements under the Management Trust were as follows:

(i) 40.7% beneficially held by Mr. Xu Jun, executive Director;

(ii) 13.6% beneficially held by Mr. Liu Xiao Dong, executive Director;

(iii) 12.8% beneficially held by Mr. Xie Hong Wei, senior vice president of sales of the Group;

(iv) 7.9% beneficially held by Mr. Zhou Rong, the chief logistics officer of the Group; and

(v) 25% beneficially held by other 32 other employees of the Group (of which 4.3% was beneficially held by Zhang Xin Ming, the chief OTC business officer of the Group and 0.7% was beneficially held by Mr. Liang Yi, the chief technology officer of the Group, and save as disclosed above, none of these 32 employees included a Director or senior management of the Group), in which no single beneficiary would be interested in more than 5% of the Management Trust.

The beneficiaries of the Management Trust and their percentage entitlement thereto may change subsequently as determined by Ever Sail, from time to time, after obtaining a no objection notice from the trust protector of the Management Trust. The settlor of the Management Trust is Grand Pacific Investment Limited (茂通投資有限公司), (being designated as the settlor by the senior management). The members of the protector were nominated and appointed by the settlor.

3. The shareholding percentages of the public are arrived at on the assumption that:

- *CI Pharma China would dispose of 13% of its existing shareholding in the Company as part of the Share Offer;*
- *Loyal Peace would dispose of 17% of its existing shareholding in the Company as part of the Share Offer; and*
- *New issue of shares in the Company, which would represent 25% of the enlarged share capital of the Company in the Share Offer.*

OVERVIEW

We are a specialty pharmaceutical group principally engaged in the development, production and sale of specialty prescription western pharmaceuticals for the treatment of autoimmune rheumatic diseases in the PRC. According to the BDCL Report, there are various types of pharmaceuticals to treat autoimmune rheumatic diseases, namely anti-inflammatory and analgesic drugs, hormones, DMARDs (a category of drugs focused on slowing the progression of rheumatic diseases as opposed to simply treating inflammation) and biological agents. The sales of anti-inflammatory and analgesic drugs, hormones, DMARDs and biological agents in the PRC in 2008 were approximately RMB2,094 million (equivalent to approximately USD307 million), RMB1,383 million (equivalent to approximately USD203 million), RMB1,017 million (equivalent to approximately USD149 million) and RMB566 million (equivalent to approximately USD83 million) respectively. We have established a leading market share in the sale of DMARDs in the PRC with approximately 22.8% of sales of DMARDs in 2008. Our leading product Pafulin, exclusively manufactured and sold by us, launched in 2002, was ranked No. 1 in terms of sales in the DMARDs market with approximately 15.9% market share in the PRC in 2008. Tuoshu, our second leading product, launched in 2006 under an agency distribution agreement, was ranked No. 4 in terms of sales in the DMARDs market with approximately 6.9% market share in the PRC in 2008 and the sales of Pafulin and Tuoshu together represent approximately 4.7% of the sales of drugs to treat autoimmune rheumatic diseases by hospitals in the PRC in 2008 according to the BDCL Report. We are also engaged in the production and sale of Other Pharmaceuticals in the PRC.

We operate in the large and fast growing rheumatology market in the PRC. The PRC economy growth has outpaced the global economy and development of the PRC pharmaceutical industry is faster than the average level in the world, and it has maintained the rapid growth in recent years. Based on the Statistics Book 2008 of the Ministry of Health, rheumatoid arthritis ranked as the 4th most prevalent chronic disease in the PRC in 2008. According to the BDCL Report, it is estimated that one in six individuals in Asia are suffering from arthritis. Currently, people suffering from arthritis in the PRC amounted to over 100 million, representing approximately 29.2% of the total number in the world. Sales of drugs to treat rheumatic diseases by hospitals amounted to approximately RMB5.1 billion (equivalent to approximately USD747 million) in 2008, representing a year-on-year increase of approximately 19.6% compared to 2007. The number of patients under treatment and doctors specializing in rheumatology has grown with a CAGR of approximately 29.0% and 26.8% respectively from 2002 to 2008. In recent years, growth of therapeutic treatment by DMARDs has outpaced that of the therapeutic treatment by anti-inflammatory and analgesic drugs in treating rheumatic diseases. This growth is fueled by a growing population relying on pharmaceutical treatment, increasing patient access to healthcare insurance and greater spending power.

We sell our products to more than 500 direct customers which comprise distributor customers who then sell them to hospitals, local distributors and retail pharmacies, and other customers throughout China in 2009. With an objective to reach out to appropriate hospitals, doctors and patients in need of high quality leading treatment options for rheumatism in the PRC, as at 31 December 2009, our current sales and distribution network covers over 1,000 hospitals in 25 provinces and four municipal cities which are serviced by approximately 260 sales representatives of the Group across the PRC. We have obtained

GSP certificate in respect of our distribution and marketing operations. The expiry date of the current GSP certificate held by Shenzhen Lansen is 18 January 2014. In addition, we are in the course of moving our distribution and marketing operations in Shenzhen to Ningbo. Our operating subsidiary in Ningbo, Ningbo Lansen, obtained the GSP certificate on 16 April 2010. We have dedicated brand management, market research and sales support teams to further enhance the effectiveness of these marketing efforts. In addition, we are involved in raising public awareness of rheumatology by educating doctors and patients at medical institutions and hospitals.

Our Core Business currently comprises five rheumatic specialty prescription western pharmaceuticals, of which currently only Pafulin is manufactured and sold by us and four are not manufactured but are sold by us under agency distribution arrangements. During the past three years, the Group recorded strong and rapid growth, which was primarily driven by rheumatic specialty prescription western pharmaceuticals. For the three years ended 31 December 2007, 2008 and 2009, our rheumatic specialty prescription western pharmaceuticals revenue were approximately USD16.3 million, USD26.6 million and USD33.1 million respectively, representing a CAGR of approximately 42.7%, accounting for approximately 67.3%, 71.7% and 69.1% of our total revenue respectively, in which revenue from Pafulin accounted for approximately 39.0%, 37.4% and 38.0% of our total revenue during the same period respectively. During the same period, our gross margins for our rheumatic specialty prescription western pharmaceuticals were approximately 79.9%, 79.3% and 79.3% respectively. We have entered into agency distribution agreements for four rheumatic specialty prescription western pharmaceuticals with our suppliers for a fixed term ranging from two to six years. In addition, in April 2010, we entered into an agency distribution agreement with a local supplier and obtained exclusive distribution right of Mycophenolate Mofetil Capsules in the PRC for the period from 8 April 2010 to 7 October 2013. Mycophenolate Mofetil is related to our Core Business. We have been granted exclusive distribution rights of the relevant products in the PRC or in specified provinces of the PRC. We will normally be given a priority to renew these agreements with our suppliers upon their expiration pursuant to the terms of these agreements. We are required to fulfil an annual minimum purchase order in any given year, failing which the relevant supplier is entitled to revoke the exclusive distribution right granted to us. If we exceed the agreed annual minimum purchase order in any given year, certain discounts on the purchase price will be given to us. Set out below are the principal terms of our agency distribution agreements entered into between us and our suppliers in respect of our Core Business:

Product	Summary of the key terms of our agency distribution agreements	
Tuoshu	Date of agreement:	25 October 2008.
	Term:	The agreement will expire on 31 December 2014.
	Exclusivity:	We have been granted exclusive distribution right of Tuoshu in the PRC.
	Renewal:	The parties shall negotiate the terms for renewal six months prior to the expiry of the agreement and where the new contract terms offered by a third party are the same as those offered by us, we will be given a priority to renew the agreement.
	Minimum purchase order:	During the term of the agreement: 800,000 boxes (10 tablets/box) each year (from 1 January to 31 December).

Product	Summary of the key terms of our agency distribution agreements	
Jinlang	Date of agreement:	31 December 2009.
	Term:	The agreement will expire on 31 December 2011.
	Exclusivity:	We have been granted exclusive distribution right of Jinlang in the PRC.
	Renewal:	The parties shall negotiate the terms for renewal six months prior to the expiry of the agreement and where the new contract terms offered by a third party are the same as those offered by us, we will be given a priority to renew the agreement.
	Minimum purchase order *(Note)*:	Year 2010 (from 1 January to 31 December): 1,200,000 bottles (10 gram per bottle). Year 2011 (from 1 January to 31 December): 1,600,000 bottles (10 gram per bottle).
Yisuojia.	Date of agreement:	13 November 2008, effective from 1 January 2009.
	Term:	The agreement will expire on 31 December 2011.
	Exclusivity:	We have been granted an exclusive distribution right of Yisuojia in Anhui, Henan, Shandong, Fujian and Liaoning provinces in the PRC during the term of such agreement.
	Renewal:	The parties shall negotiate the terms for renewal six months prior to the expiry of the agreement and we are in principle given a priority to renew the agreement with our supplier pursuant to the terms of the agreement. The parties have confirmed it was intended under the agreement that, provided that we have met 80% of the minimum purchase order under the agreement, and where the terms offered by a third party are the same as those offered by us, we will be given a priority to renew the agreement.
	Minimum purchase order:	Year 2009 (from 1 January to 31 December): 440,000 boxes (24 capsules per box). Year 2010 (from 1 January to 31 December): 600,000 boxes (24 capsules per box). Year 2011 (from 1 January to 31 December): 800,000 boxes (24 capsules per box).

Note: The purchase volume of Jinlang for the year 2009 was 372,060 bottles below the minimum purchase order of 1,200,000 bottles of the relevant year. The Group did not receive any notice or request for payment of compensation nor have the supplier exercised the right to revoke the agreement or the distribution right for the shortfall of the minimum purchase order for the year 2009 and the agreement was renewed with our supplier on 31 December 2009. The supplier of Jinlang has issued a confirmation letter that they will not claim against the Group for the under-purchase under the previous agreement.

Product	Summary of the key terms of our agency distribution agreements	
Liupuan.	Date of agreement:	16 February 2009.
	Term:	The agreement will expire on 31 December 2011.
	Exclusivity:	We have been granted an exclusive distribution right of Liupuan in Guangdong province and right of distribution in designated hospitals situated in Beijing, Hubei, Gansu, Hebei, Heilongjiang, Jilin, Shaanxi, Sichuan, Xinjiang, Yunnan, Guizhou, Zhejiang and Jiangsu of the PRC during the term of such agreement.
	Renewal:	We are given a priority to renew the term with our supplier on the basis that the annual minimum purchase order of the prior years and the minimum number of new hospitals in Guangdong which use Liupuan have been met.
	Minimum purchase order *(Note)*:	Year 2009 (from 1 January to 31 December): 340,000 boxes (20 capsules per box). Year 2010 (from 1 January to 31 December): 380,000 boxes (20 capsules per box). Year 2011 (from 1 January to 31 December): 420,000 boxes (20 capsules per box).
Mycophenolate Mofetil Capsules . . .	Date of agreement:	8 April 2010.
	Term:	The agreement will expire on 7 October 2013.
	Exclusivity:	We have been granted exclusive distribution right of Mycophenolate Mofetil Capsules in the PRC.
	Renewal:	Provided that we have met the minimum purchase order under the agreement, the agreement will be renewed for a term of 2 years upon expiration of the existing term of the agreement.
	Minimum purchase order *(Note)*:	From 8 April 2010 to 7 October 2011: 30,000 boxes (40 capsules per box). From 8 October 2011 to 7 October 2012: 60,000 boxes (40 capsules per box). From 8 October 2012 to 7 October 2013: 110,000 boxes (40 capsules per box).

Note: The purchase volume of Liupuan for the period of 18 months from the date of first delivery under the agreement dated January 2007 was 108,200 boxes below the minimum purchase order of 300,000 boxes of the relevant period. However, given the fact that the supplier did not exercise the right to revoke the distribution right for the shortfall of the minimum purchase order for the relevant period and that the agreement was renewed with our supplier on 16 February 2009, the Company and its PRC legal advisor are of the view that no further action is likely to be taken by the supplier against the Group for the under-purchase under the previous agreement.

Note: Based on our current progress, the product is expected to be launched in the third quarter of 2010.

We currently own and operate two modern manufacturing facilities occupying approximately 64,000 square meters of land with total gross floor area of approximately 19,400 square meters located in Ningbo, PRC. Our operating facilities are GMP certified by the SFDA and adhere to stringent and closely monitored quality assurance and safety control processes. We have three production lines of bulk pharmaceuticals, one modern Chinese medicine extraction line, one solid formulation workshop, one liquid formulation workshop and one cream workshop. The following table sets out GMP certificates for all of our production lines:

GMP certificates for production	Date of Issue	Date of Expiry
Tablets, capsules, granules, mixture, oral solution, syrup (including Chinese medicine extracts), cream, oral solutions and bulk pharmaceuticals (Capsaicin)	16 February 2009	15 February 2014
Bulk pharmaceuticals (Total Glucosides of Peony and Huperzine A, including Chinese medicine extracts)	31 January 2008	30 January 2013
Bulk pharmaceuticals (Total Glucosides of Peony)	15 December 2005	14 December 2010 *(Note)*
Cream	1 November 2005	31 October 2010 *(Note)*
Bulk pharmaceuticals (Capsaicin)	4 January 2005	3 January 2010 *(Note)*
Tablet, capsules, granules, syrup, oral solutions, mixture, oral solutions (including Chinese medicine extracts) and bulk pharmaceuticals (Huperzine A)	14 December 2004	25 February 2009 *(Note)*

Note: The previous GMP certificates in respect of (a) bulk pharmaceuticals (Total Glucosides of White Peony) and bulk pharmaceuticals (Huperzine A) have been consolidated into the new GMP certificate dated 31 January 2008 currently held by the Group; and (b) cream, bulk pharmaceuticals (Capsaicin) and tablets, capsules, granules, syrup, oral solutions, mixture and oral solutions (including Chinese medicine extracts) have been consolidated into the GMP certificate dated 16 February 2009 currently held by the Group.

Our product development is complementary to the core strategic development of the Company focusing on identifying, developing and commercializing products principally in the autoimmune rheumatic therapeutic areas. We employ a market driven approach to select product candidates that are either developed in house or acquired through collaboration with research institutions and universities in the PRC. Our collaboration with academic scientists and clinical researchers enables us to benefit from our research partners' resources, expertise and facilities to develop new commercially viable products in a flexible and cost efficient manner. Except for Loxoprofen Sodium which the Group acquired during the Track Record Period, none of the Group's self-manufactured products were acquired through collaboration with research institutions and universities in the PRC during the Track Record Period. We do not aim to invent revolutionary new products, but look into the doctors' and patients' needs and the market trend, and conduct targeted research with a view to achieve a wide range of product series. Currently, we have seven new products under development and research which are focused in our Core Business.

We have experienced significant growth in our business in recent years. Our revenues increased from approximately USD24.2 million in 2007 to USD37.1 million in 2008 and to USD47.9 million in 2009, representing a CAGR of approximately 40.9%. Our net profit increased from approximately USD0.4 million in 2007 to USD5.1 million in 2008 and to USD7.4 million in 2009. Our increased economies of scale and measures to improve our cost and operating efficiencies have allowed us to improve net margins continuously. In 2007, the Group, after an intensive review of its business, made an one-off provision for

doubtful debts of approximately USD2.5 million which mainly included full provision over an amount of approximately USD1.0 million of accounts receivable for Ningbo Liwah and Shenzhen Lansen that had been carried forward from the period prior to the Group's acquisition in August 2005 as well as provision for doubtful debts for all receivables over one year in age. In 2008, approximately USD0.7 million of the trade receivables were recovered, for which we had previously made provision. If we exclude this provision of approximately USD2.5 million and the recovery of the provision of approximately USD0.7 million, net profit would be approximately USD2.9 million and USD4.4 million for the years ended 31 December 2007 and 2008 respectively. For the three years ended 31 December 2007, 2008 and 2009, the CAGR of net profits would be approximately 59.5%, our net margins were approximately 12.0%, 11.9% and 15.4% respectively.

Our focus in the future is to increase sales and market share of our core products in rheumatology while continuing on the development of products for the treatment of autoimmune rheumatic diseases, and sustain high growth. It is our intention to focus on the Core Business and to maintain our operation of Other Pharmaceuticals Business, in order to focus resources on the rapidly growing rheumatology market in which we can leverage on our established reputation and brand recognition in line with our development strategies. No further resources will be allocated by the Group to expand the Other Pharmaceuticals Business after Listing. CIP, the investment holding company in pharmaceuticals businesses within the CIH Group, is currently not engaged in the Core Business or the Other Pharmaceuticals Business (apart from the Group). Unlike the Group which has established presence and reputable brand recognition and thus focus its resources on the Core Business, CIP is an investment holding company that may invest in pharmaceutical companies in general. CIP has undertaken not to compete in the Core Business, which is the business focus of the Group. CIP may invest in pharmaceutical companies which may compete for the Other Pharmaceuticals Business.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths position us well for continued growth:

Leader in DMARDs market with reputable brand recognition in the rapid growing rheumatology market

Rheumatology has outperformed the pharmaceutical industry in general in terms of the growth rate of DMARDs which are predominantly used to treat rheumatic diseases and the growth rate of China pharmaceutical market. According to the BDCL Report, the CAGR of the usage of DMARDS was approximately 29.2% from 2006 to 2008, while the CAGR of the usage of drugs to treat autoimmune rheumatic diseases by hospitals and the China pharmaceutical market were approximately 18.4% and 16.4% respectively, during the same period. Medical treatments for rheumatic diseases in China has only started to develop in recent years and has high growth potential. The rheumatology market has developed rapidly and the number of rheumatology specialists and RA patients has increased significantly since 2002. Medical treatments for rheumatic diseases offer higher growth potential than the pharmaceutical industry average in China.

We are one of the major manufacturers of DMARDs in the PRC. According to the BDCL Report, for the two years ended 31 December 2008, Pafulin accounted for approximately 14.8% and 15.9% market share in terms of sales in the DMARDs market in the PRC; and during the same period, Tuoshu accounts for 4.7% and 6.9% market share in terms of sales in the DMARDs market in the PRC.

We are primarily using the trademark "Lansen" for the sale of rheumatic specialty prescription western pharmaceuticals. We believe that consistently high product quality and a commitment to providing superior customer services have enabled us to establish the "Lansen" brand as a leading reputable specialty rheumatic prescription western pharmaceuticals brand in the PRC. The Group has received award in recognition of its achievements in product quality, technological development, and success in brand development from Chinese Rheumatology Association (中華醫學會風濕病學分會) ("CRA"). The Directors believe that its market position and brand recognition enable the Group to distinguish its products and maintain its competitive advantage to capitalize on the growing opportunities offered in the rheumatology market.

Dedicated platform to leverage on our extensive sales and distribution network

We have established an extensive sales and marketing network. As at 31 December 2009, our highly efficient distribution channel covers over 1,000 hospitals in 25 provinces and four municipal cities with approximately 260 sales representatives across the PRC. Leveraging on the hospital coverage of Pafulin as well as our brand name and sales network in rheumatology, we actively identify products in the same specialty and penetrate the market efficiently.

We have developed close, stable and long-term working relationships with many of our distributor customers, and strictly regulate our sales and marketing activities with the aim of preserving the integrity and brand image of our products while ensuring continued mutually beneficial relationships with other distributor customers within our network. We believe our long-standing and stable relationships with distributor customers give us the ability to better market our products to our target markets. By emphasizing long-term effect for patients' long-term use, we combined our product's specialty and professional after-sales services, to build long-term cooperation with doctors and patients. We also emphasize our customer services, and physician and patient education, with the aim of ensuring and maintaining customer's satisfaction at peak levels. We can leverage on this established and extensive network and our brand recognition to launch our new products effectively. For example, Tuoshu, when first launched in 2006, increased its sale with a CAGR of approximately 87.3% from 2006 to 2009.

Integrated product portfolio of rheumatic specialty prescription western pharmaceuticals

We principally manufacture and/or sell five rheumatic specialty prescription western pharmaceuticals, for the treatment of arthritis, rheumatoid arthritis, osteoarthritis and other autoimmune rheumatic diseases. Our integrated portfolio offers hospitals a comprehensive range of products in rheumatic specialty prescription western pharmaceuticals. We believe that the variety of products we currently offer and those we

plan to commercialize in the future will further establish us as a leader in the sale of DMARDs product category in the treatment of rheumatic diseases and contribute to our growth and profitability.

High quality control standards and expertise in process refinement

We place particular emphasis on product and process development using stringent GMP quality control procedures to ensure that our manufactured products are consistently delivered to meet the highest standards for quality and purity. We continue to focus on improving our production efficiency, processes and related technologies. We believe that our expertise in the manufacture of products with the focus in the treatment of rheumatic diseases will allow us to reduce our production costs and deliver highly differentiated products at competitive prices in our target markets. Our manufacturing expertise allows us the flexibility to manufacture and sell other drugs to capitalize on specific opportunities or to adapt to changes in market conditions or regulatory framework. We believe our products have gained recognition among doctors and patients for being safe, effective and reliable for long-term use, which help us to secure our customer loyalty.

Product development capabilities

Our product development capability, which we established over the years, and our close relationships with a number of research institutes, hospitals and universities enable us to collaborate with academic scientists and clinical researchers. By leveraging on these relationships and acquiring products to fill our pipeline, we are able to minimize the upfront costs and risks associated with early-stage product development. In general, the core production technology and commercialization method are developed and retained by us. We believe that this strategy enables us to benefit from our research partners' resources, expertise and facilities to develop new commercially viable products in a flexible and cost efficient manner.

Experienced, committed and stable management team

Most of our key executives and senior management have worked together for more than ten years in the pharmaceutical business with managing and financing experience in China. We have adopted a proactive management style and have implemented employee management system and incentive schemes for employees. We strive to ensure that our employees adhere to our stringent quality also regulate sale and marketing activities and safety standards and maximize our efficiency and service standards, and reward such employees when they achieve these goals. We believe that this management system together with a stable and coherent management team has enabled us to attract and retain high caliber staff and also to operate in an efficient manner. We also believe that such management objectives enables us to react efficiently and effectively to changes in the market.

Track record of sound financial performance

We have a track record of expanding our product portfolio while increasing our revenue and profitability. We have established a robust portfolio of over 67 products approved for manufacture and sale in the PRC. From this portfolio, we have employed a market driven approach to select what we believe will be fast growing and highly profitable products for commercialization. Accordingly, we achieved strong earning growth in recent years. For the three years ended 31 December 2009, we generated revenue of approximately USD24.2 million, USD37.1 million and USD47.9 million respectively, representing a CAGR of approximately 40.9% over the period. During the same period, our net profits were approximately USD0.4 million, USD5.1 million and USD7.4 million respectively. For the year ended 31 December 2007, we made an one-off provision for doubtful debts of approximately USD2.5 million, approximately USD0.7 million of the trade receivables were recovered in 2008, for which we had previously made provision. If we exclude this provision of approximately USD2.5 million and the recovery of the provision of approximately USD0.7 million, net profit would be approximately USD2.9 million and approximately USD4.4 million for the years ended 31 December 2007 and 2008 respectively. For the three years ended 31 December 2007, 2008 and 2009, the CAGR of net profits would be approximately 59.5%, our net profit margins would be approximately 12.0%, 11.9% and 15.4% respectively. This strengthens our credibility for our current and new investors.

OUR BUSINESS STRATEGIES

Our product development is complementary to the strategic core development of the Company. We focus on increasing sales and market share of our core products in rheumatology while continuing on the development of products for treatment of rheumatic diseases, and sustain high growth. We do not aim to invent revolutionary new products, but look into the doctors' and patients' needs and the market trend, and conduct targeted research with a view to achieve a wide range of product series. Our strategies to achieve our goals include the following:

Build on our leadership position into the rheumatic market segment

We anticipate to target the changes in the treatment of rheumatic diseases and the needs of our existing clients, and continuously develop products to better serve our target clients and to enter into a virtuous cycle with high growth for our products. We currently focus on the treatment of rheumatic diseases by DMARDs and anti-inflammation and analgesics drugs. The market for DMARDs is large, apart from Pafulin and Tuoshu, the market has not been fully tapped by other brands specialising in the treatment of chronic diseases.

We aim to expand therapeutic application of our product portfolio on other rheumatic diseases such as metabolic arthritis and osteoarthritis, which can enhance our leadership position in the sale of DMARDs in the rheumatic market segment. Currently, we have seven new products under development and research which are focused in our Core Business. We have also purchased the production technology including the proprietary rights associated with Loxoprofen Sodium and based on our current development process, anticipate to

commence production of Loxoprofen Sodium by the end of 2010, subject to final approval of SFDA. We also anticipate to develop our rheumatic pharmaceuticals in injection form which can then increase the products' applications.

The Medical Reform also encourages promoting the equalization of the basic healthcare service for the general public, establishing and carrying out the relevant measures accordingly. Such measures will encourage academic and resources sharing between advanced and lower-level medical institutions. During this process, the medical professionals of rheumatology from more advanced hospitals will be of a great value for educational purposes. We conduct continuing education for those doctors and medical practitioners together with the rheumatology associations regularly. As such, an increasing number of doctors and medical practitioners understand our products, especially Pafulin and Tuoshu, and their functions and method of usage. We have positive influence and sound reputation among the medical professionals of rheumatology, which will assist promote the sales of Pafulin and Tuoshu and our other products for the treatment of rheumatic diseases, in other lower-level medical institutions.

Expansion of our sales and distribution network coverage

We consider that establishing long-term relationships with pharmaceutical distributors, hospitals, doctors and patients in different regions and working closely with them to sell and market the Group's products will remain to be an important aspect of the Group's sales strategies. The Group will continue to co-operate closely with customers in sales and marketing activities, including to maintain direct contact with rheumatology associations, hospitals and medical centers to whom the distributor customers sell, and to host seminars and conferences which the customers and doctors will participate to promote and explain the use and effect of the Group's products. We consider the Group's active participation in such sales and marketing activities to be crucial.

We will be expanding the coverage of our distribution channels. To accomplish this goal, we plan to expand the coverage of our distribution network to cover additional cities in the more affluent regions of China. We also plan to expand our coverage of rural areas where a significant portion of the population resides and for which exists significant demand for pharmaceuticals, and capitalize on recently adopted government reimbursement regulations that provide medical subsidies to residents in rural areas that would make expansion in selected rural regions more favorable for us. See "Regulation — Medical Subsidy to Residents in Rural Areas."

Continuing development in our focus segment

We also aim at expanding our product portfolio for applications on other rheumatic diseases, such as metabolic arthritis. The prevalence rate of metabolic arthritis has been increasing in recent years and it is anticipated that demand for metabolic arthritis drugs will continue to increase in the near future. Currently, one of our pipeline products is for the treatment of metabolic arthritis. In addition to Pafulin and Tuoshu, the market size for DMARDs are yet to be penetrated by other brands in treating chronic diseases. We also identified that osteoarthritis has similar characteristics to RA, both requiring long-term treatment and use of a range of drugs during the treatment. At present, we are the

distribution agent for two osteoarthritis products namely Yisuojia and Liupuan, and two of our pipeline products are anti-osteoarthritis. We will leverage on our current position in rheumatic arthritis and our "Lansen" brand to increase our market share in the rheumatology market.

Leverage on our established platform into complementary products and therapeutics

Pafulin has its advantages in the treatment of some cases of dermatoses and we are attempting to broaden Pafulin's application to dermatology.

With the increasing and aging population over the next 20 years in China, demand for metabolic arthritis and osteoarthritis prevention and pharmaceutical treatment will continue to be significant. We will leverage on our brand name in rheumatic specialty prescription western pharmaceuticals to expand our market share in the metabolic arthritis and osteoarthritis pharmaceutical products. In certain dermatological cases, Pafulin is an effective medication. We are also trying to expand the application of Pafulin in the dermatological specialty. The Group anticipates to broaden our footprints in the treatment of metabolic arthritis, osteoarthritis, dermatology and other chronic diseases which may not be rheumatic related.

Opportunistic and strategic acquisition of products and/or companies

Based on the industry knowledge and market research, the Directors believe that the pharmaceutical industry in China is fragmented and is undergoing consolidation in the near future and we will capture opportunities for merger and acquisition if we identify any suitable candidates.

PRODUCT PORTFOLIO

We currently manufacture and/or sell five products in our Core Business and primarily use "Lansen" to market our rheumatic specialty prescription western pharmaceuticals. In addition, we are the exclusive distributor of Tuoshu and Jinlang in the PRC, the regional distributor of Yisuojia in five provinces in the PRC and the regional distributor of Liupuan in one province with right of distribution in designated hospital situated in 13 other provinces of the PRC. In addition, in April 2010, we entered into an agency distribution agreement with a local supplier and obtained exclusive distribution right of Mycophenolate Mofetil Capsules in the PRC for the period from 8 April 2010 to 7 October 2013. Mycophenolate Mofetil is related to our Core Business. The following table sets forth the details of our products in our Core Business:

Name (Major Ingredient)	Form	Manufacture/ Agency distribution	Self developed/ Acquired	Launch date	Date of medicine registration certificate	Medicine registration certificate expiry date	Usage
Rheumatic Specialty Prescription Western Pharmaceuticals							
Pafulin (Total Glucosides of White Peony Capsules) 帕夫林（白芍總苷膠囊）	Capsules	Manufacture	Acquired	2002	18 May 2005	17 May 2010	Treatment for rheumatoid arthritis
Tuoshu (Leflunomide Tablets) 妥抒（來氟米特片）	Tablets	Agency	Not applicable	2006	24 January 2005	23 January 2010 *(Note 1)*	Treatment for rheumatoid arthritis
Jinlang (Capsaicin Ointment) 勁朗（辣椒鹼軟膏）	Cream	Agency	Not applicable	2003	24 January 2003	23 January 2008 *(Note 1)*	Treatment for soothing muscular and joint pains due to rheumatism, and back pains; a new form of analgesic for external application
Yisuojia (Glucosamine Sulfate Capsules) 伊索佳（硫酸氨基葡萄糖膠囊）	Capsules	Agency	Not applicable	2005	27 August 2004	26 August 2009 *(Note 1)*	Treatment for osteoarthritis
Liupuan (Glucosamine Potassium Sulfate Capsules) 留普安（硫酸氨基葡萄糖鉀膠囊）	Capsules	Agency	Not applicable	2007	7 September 2005	6 September 2010	Treatment for osteoarthritis
Mycophenolate Mofetil Capsules 嗎替麥考酚酯膠囊 *(Note 2)*	Capsules	Agency	Not applicable	2010	19 December 2008	18 December 2013	Treatment for nephritic diseases and lupus erythematosus

Note 1: The medicine registration certificates for these products have expired as at the Latest Practicable Date. The Group has yet to obtain new medicine registration certificates for these products because the re-registration procedures in the PRC are currently under review, and applications for medicine registration certificates are generally suspended pending such review. The Company has been advised by its PRC legal advisor that medicine registration certificates for such products will, pending the review of re-registration procedures, continue to be used during the review period of such re-registration notwithstanding their expiry. According to a notice issued by SFDA on 31 July 2009, the medicine registration certificates for these products should be available during the review period of re-registration that shall be completed by 30 September 2010. The PRC legal advisor of the Company are of the opinion that the Group has submitted the applications in accordance with the applicable laws and regulations in the PRC to renew the medicine registration certificates which have expired and that they are not aware of any legal impediment to the Group in renewing the medicine registration certificates which have expired.

Note 2: On the basis of the current progress, this product is expected to be launched in the third quarter of 2010.

The following table sets forth the breakdown by product type in terms of revenue and as a percentage of total revenue for the periods indicated.

	Year ended 31 December					
	2007		2008		2009	
	Revenue	%	Revenue	%	Revenue	%
	(USD in thousands, except percentage)					
Revenue by product type						
Rheumatic Specialty Prescription Western Pharmaceuticals						
Pafulin (Total Glucosides of White Peony Capsules)	9,410	39.0	13,872	37.4	18,176	38.0
Tuoshu (Leflunomide Tablets)	3,015	12.5	6,066	16.3	8,122	16.9
Jinlang (Capsaicin Ointment)	2,242	9.2	3,487	9.4	2,646	5.5
Yisuojia (Glucosamine Sulfate Capsules)	1,250	5.2	1,851	5.0	2,228	4.7
Liupuan (Glucosamine Potassium Sulfate Capsules)	337	1.4	1,356	3.6	1,930	4.0
Subtotal	**16,254**	**67.3**	**26,632**	**71.7**	**33,102**	**69.1**
Other Pharmaceuticals						
Modern Chinese Medicine Extracts	2,839	11.8	4,982	13.4	9,290	19.4
Indometacin Cataplasm (Biaide)	33	0.1	705	1.9	1,145	2.4
Bazhen Keli	1,010	4.2	878	2.5	1,033	2.2
Yinxingye Pian	740	3.0	591	1.6	617	1.3
Dingpeng Rugao	858	3.6	677	1.8	458	0.9
Fufang Danshen Pian	347	1.4	561	1.5	392	0.8
Chanfukang Keli	311	1.3	316	0.9	309	0.6
Mistura Glycyrrhizae Composita Oral Solution	193	0.8	238	0.6	216	0.5
Ganda Pian	367	1.5	133	0.4	196	0.4
Concentrated Divitamins and Sodium Phosphate Syrup	121	0.5	126	0.3	192	0.4
Keshu Tangjiang	70	0.3	118	0.3	123	0.3
Lingyang Ganmao Jiaonang	113	0.5	120	0.3	106	0.2
Runing Pian	90	0.4	113	0.3	99	0.2
Other products *(Note)*	804	3.3	929	2.5	654	1.3
Subtotal	**7,896**	**32.7**	**10,487**	**28.3**	**14,830**	**30.9**
Total	**24,150**	**100.0**	**37,119**	**100.0**	**47,932**	**100.0**

Note: Other products including but not limited to xinnaojian capsule, shujin huoxie tablet, jian'er qinjie solution, sophora flavescens tablet, xiao'er jianwei syrup, huperzine A capsule, notoginseng capsule, cough-alleivating pear syrup, isatis tinctoria granule and Yinbai hepatitis drink.

The following table sets out the sales volume our major products:

Product		For the year ended 31 December 2007	2008	2009
			(unit in million)	
Pafulin (Total Glucosides of White Peony Capsules) 帕夫林（白芍總苷膠囊）	Capsule	76.7	103.9	135.1
Tuoshu (Leflunomide Tablets) 妥抒（來氟米特片）	Tablet	5.5	10.2	14.6
Jinlang (Capsaicin Ointment) 辣椒鹼軟膏	Bottle	0.9	1.1	0.8
Yisuojia (Glucosamine Sulfate Capsules) 伊索佳（硫酸氨基葡萄糖膠囊）	Capsule	5.4	7.7	10.3
Liupuan (Glucosamine Potassium Sulfate Capsules) 留普安（硫酸氨基葡萄鉀膠囊）	Capsule	1.4	5.5	7.7
Mycophenolate Mofetil Capsules （嗎替麥考酚酯膠囊）*(Note)*	Capsule	Nil	Nil	Nil

Note: Based on our current progress, this product is expected to be launched in the third quarter of 2010.

Principal products

Pafulin (Total Glucosides of White Peony Capsules)

Pafulin is our principal rheumatic specialty prescription western pharmaceuticals product, exclusively manufactured and sold by us, which belongs to the category of DMARDs products. On 14 March 2005, we entered into a product technology transfer agreement with Shenzhen Sanjiu in relation to, amongst others, the transfer of technology, production permits, patents trademarks and other intellectual property rights associated with Pafulin from Shenzhen Sanjiu to Ningbo Liwah at a total consideration of RMB2,845,000 (equivalent to approximately USD416,789), which was reached after arm's length negotiations between the parties thereto (the "**Pafulin Transfer Agreement**"). Pursuant to the Pafulin Transfer Agreement, the parties agreed to use their best endeavours to obtain the approvals of the relevant government departments for the transactions under such agreement and the technology, production permits, patents trademarks and other intellectual property rights associated with Pafulin will remain the property of Shenzhen Sanjiu until the approvals of the relevant government department have been obtained and the registration of transfer of such intellectual property rights in the name of Ningbo Liwah has been completed. On 21 March 2005 and 2 August 2006, Shenzhen Sanjiu granted an irrevocable licence to exclusively use the trademark "**帕夫林**" in favour of Ningbo Liwah for a period of up to 27 August 2007 or the date on which the validity period of the trademark registration of "**帕夫林**" expired (whichever is later). The application to transfer such trademark from Shenzhen Sanjiu to Ningbo Liwah was filed with the Trademark Office on 25 September 2008 and the validity period of the trademark registration of "**帕夫林**" has been extended by Shenzhen Sanjiu to 27 August 2017. Accordingly, the term during which we can exclusively use the trademark "**帕夫林**" has been extended automatically to 27 August 2017. On 7 April 2010, the transfer of the trademark "**帕夫林**" to Ningbo Liwah has

been completed. On 18 May 2005, the approval for the transfer of the medicine approval document (藥品補充申請批件) of Total Glucosides of White Peony Capsules was granted by the SFDA pursuant to which Ningbo Liwah was permitted to manufacture Pafulin and Shenzhen Sanjiu was no longer entitled to manufacture Total Glucosides of White Peony and Total Glucosides of White Peony Capsules. Therefore, as the transfers of the above intellectual property rights have been completed, our PRC legal advisor confirmed that we are entitled to exclusively manufacture and sell Total Glucosides of White Peony Capsules under the trademark of "**帕夫林**".

Shenzhen Sanjiu was a shareholder of Ningbo Liwah in respect of its 45% equity interest before the date of the Pafulin Transfer Agreement and on the date of the Pafulin Transfer Agreement, Shenzhen Sanjiu entered into a share transfer agreement with Brilliant Manufacture to transfer the entire equity interests held by it in Ningbo Liwah to Brilliant Manufacture for a total consideration of USD533,909 pursuant to which Brilliant Manufacture became a shareholder of 45% equity interests of Ningbo Liwah upon completion of the transfer. On 10 May 2005, Brilliant Manufacture acquired the remaining 35% and 20% equity interests in Ningbo Liwah from Wang Ting (王艇) and Shenzhen Qiangmeng.

Pafulin is the western pharmaceutical in China applied for the treatment of RA that contains Total Glucosides of White Peony with no other products offered in the PRC market with the same chemical formula as at the Latest Practicable Date. Pafulin is a pharmaceutical product after years of research by a number of medical researchers and professors in the PRC. Prior to its release to the public, Pafulin has undergone clinical trials collectively conducted by a number of medical institutions in the PRC and the results were positive. In addition, Pafulin has been recognized by various medical journals in the PRC over the years, namely, 《中國新藥與臨床雜誌》, 《中國醫科大學學報》, and《中華風濕病學雜誌》. According to clinical pharmaceutical research, Pafulin is proven to improve the conditions of RA patients, reduce the occurrence of symptoms and to modulate the patients' immune system. This product is included in the Insurance Catalogue and subject to price control. We have obtained three patents in respect of the production methodology of Total Glucosides of White Peony and have also applied for various invention patents relating to the production technology of Pafulin and extraction and preparation processes of the raw materials of Pafulin. Please refer to the section headed "Intellectual property rights" in this prospectus which set out the invention patents relating to Pafulin we have obtained and we have applied for further details.

Pafulin is proven to have a milder and less side-effects, particularly adverse effect on the liver, as compared to other comparable drugs with treatment cycle of four weeks, and has achieved high profit growth year on year since its first launch. In 2008, Pafulin ranked No. 1 in terms of sales of DMARDs products for the treatment of rheumatoid arthritis as referred to in the BDCL Report. According to a number of medical journals, it is highly recommended by medical research centers and universities on its effectiveness on both rheumatoid arthritis and improvement on the immune system. As at 31 December 2009, Pafulin has coverage of over 900 hospitals nationwide.

Tuoshu (Leflunomide Tablets)

Tuoshu, one of our key rheumatic specialty prescription western pharmaceutical products, the licence period of our agency distribution will expire on 31 December 2014. Tuoshu belongs to the category of DMARDs products and is used for the treatment of RA. It can help to slow the progression of the disease and to relieve the symptoms of RA. We leveraged on Pafulin's distribution network and significantly reduced the product launch development cycle of Tuoshu to two years. This product is included in the Insurance Catalogue and subject to price control. In 2008, Tuoshu ranked No. 4 in terms of sales of DMARDs products for the treatment of RA as referred to in the BDCL Report. As at 31 December 2009, Tuoshu has coverage of over 460 hospitals nationwide.

Jinlang (Capsaicin Ointment)

Jinlang is used for analgesic purpose to relieve muscular and join pains caused by Rheumatism. The licence period of our agency distribution will expire on 31 December 2011. This product is included in the Insurance Catalogue and subject to price control. As at 31 December 2009, Jinlang has developed coverage of over 370 hospitals nationwide.

Yisuojia (Glucosamine Sulfate Capsules)

Yisuojia can be used for treatment of osteoarthritis. It is used to relieve joint pain, improve the functionality of joints and to slow the progression of the disease. The licence period of our agency distribution will expire on 31 December 2011. This product is included in the Insurance Catalogue and subject to price control. As at 31 December 2009, Yisuojia has developed coverage of over 150 hospitals nationwide.

Liupuan (Glucosamine Potassium Sulfate Capsules)

Liupuan can be used for treatment of osteoarthritis. It is used to relieve joint pain, improve the functionality of joints and to slow the progression of the disease. The licence period of our agency distribution will expire on 31 December 2011. This product is included in the Insurance Catalogue and subject to price control. As at 31 December 2009, Liupuan has developed coverage of over 100 hospitals nationwide.

Mycophenolate Mofetil Capsules

Mycophenolate Mofetil Capsules can be used for treatment for nephritic diseases and lupus erythematosus. The licence period of our agency distribution will expire on 7 October 2013. This product is included in the Insurance Catalogue and subject to price control. As at the Latest Practicable Date, we have not yet launched Mycophenolate Mofetil Capsules. However, based on our current progress, it is expected that Mycophenolate Mofetil Capsules will be launched in the third quarter of 2010.

Set out below are the principal terms of our agency distribution agreements entered into between us and our suppliers in respect of our Core Business:

Product	Summary of the key terms of our agency distribution agreements	
Tuoshu	Date of agreement:	25 October 2008.
	Term:	The agreement will expire on 31 December 2014.
	Exclusivity:	We have been granted exclusive distribution right of Tuoshu in the PRC.
	Renewal:	The parties shall negotiate the terms for renewal six months prior to the expiry of the agreement and where the new contract terms offered by a third party are the same as those offered by us, we will be given a priority to renew the agreement.
	Minimum purchase order:	During the term of the agreement: 800,000 boxes (10 tablets/box) each year (from 1 January to 31 December). We are required to fulfil an annual minimum purchase order in the given year, failing which our supplier is entitled to revoke the exclusive distribution right granted to us. The Group has fulfilled the minimum purchase order requirement during the Track Record Period.
	Payment terms:	Payment upon delivery.
	Pricing policy:	Price is determined on an arm's length basis and by reference to the total volume of sales by the Group of such product in the previous years and the relevant the price ceiling prescribed by the government authorities from time to time. The parties may negotiate the price in the case of any material change in the price ceiling or production cost. If we exceed the agreed annual minimum purchase order in any given year, a certain discount on the purchase price will be given to us.
	Termination right:	We are required to fulfil an annual minimum purchase order in the given year, failing which our supplier is entitled to terminate the contract prior to its expiration.
Jinlang	Date of agreement:	31 December 2009.
	Term:	The agreement will expire on 31 December 2011.
	Exclusivity:	We have been granted exclusive distribution right of Jinlang in the PRC.
	Renewal:	The parties shall negotiate the terms for renewal six months prior to the expiry of the agreement and where the new contract terms offered by a third party are the same as those offered by us, we will be given a priority to renew the agreement.
	Minimum purchase order:	Year 2010 (from 1 January to 31 December): 1,200,000 bottles (10 gram per bottle). Year 2011 (from 1 January to 31 December): 1,600,000 bottles (10 gram per bottle).

Product	Summary of the key terms of our agency distribution agreements	
		We are required to fulfil an annual minimum purchase order in the given year, failing which the supplier is entitled to terminate the agreement before its expiration and the supplier is entitled to demand for compensation for the shortfall which is payable within 10 business days after the end of the year. Except for the year 2009 where the purchase amounts of Jinlang was 372,060 bottles below the minimum purchase order of 1,200,000 bottles, the Group has fulfilled the minimum purchase order requirement during the Track Record Period *(Note)*.
	Payment terms:	Three days after we have received the invoice from suppliers.
	Pricing policy:	Price is determined on an arm's length basis and by reference to the total volume of sales by the Group of such product in the previous years and the relevant the price ceiling prescribed by the government authorities from time to time. If we exceed the agreed annual minimum purchase order in any given year, a certain discount on the purchase price will be given to us.
	Termination right:	We are required to fulfil an annual minimum purchase order in the given year, failing which our supplier is entitled to terminate the contract prior to its expiration.
Yisuojia	Date of agreement:	13 November 2008, effective from 1 January 2009.
	Term:	The agreement will expire on 31 December 2011.
	Exclusivity:	We have been granted an exclusive distribution right of Yisuojia in Anhui, Henan, Shandong, Fujian and Liaoning provinces in the PRC during the term of such agreement.
	Renewal:	The parties shall negotiate the terms for renewal six months prior to the expiry of the agreement and we are in principle given a priority to renew the agreement with our supplier pursuant to the terms of the agreement. The parties have confirmed it was intended under the agreement that, provided that we have met 80% of the minimum purchase order under the agreement, and where the terms offered by a third party are the same as those offered by us, we will be given a priority to renew the agreement.
	Minimum purchase order:	Year 2009 (from 1 January to 31 December): 440,000 boxes (24 capsules per box).
		Year 2010 (from 1 January to 31 December): 600,000 boxes (24 capsules per box).
		Year 2011 (from 1 January to 31 December): 800,000 boxes (24 capsules per box).

Note: The purchase volume of Jinlang for the year 2009 was 372,060 bottles below the minimum purchase order of 1,200,000 bottles of the relevant year. The Group did not receive any notice or request for payment of compensation nor have the supplier exercised the right to revoke the agreement or the distribution right for the shortfall of the minimum purchase order for the year 2009 and the agreement was renewed with our supplier on 31 December 2009. The supplier of Jinlang has issued a confirmation letter that they will not claim against the Group for the under-purchase under the previous agreement.

Product	Summary of the key terms of our agency distribution agreements	
		We are required to fulfil an annual minimum purchase order in the given year, failing which the supplier is entitled to revoke the exclusive distribution right granted to us. The Group has fulfilled the minimum purchase order requirement during the Track Record Period.
	Payment terms:	Payment before delivery.
	Pricing policy:	Price is determined on an arm's length basis and by reference to the total volume of sales by the Group of such product in the previous years and the relevant the price ceiling prescribed by the government authorities from time to time. If we exceed the agreed annual minimum purchase order in any given year, a certain discount on the purchase price will be given to us.
	Termination right:	Nil.
Liupuan.	Date of agreement:	16 February 2009.
	Term:	The agreement will expire on 31 December 2011.
	Exclusivity:	We have been granted an exclusive distribution right of Liupuan in Guangdong province and right of distribution in designated hospitals situated in Beijing, Hubei, Gansu, Hebei, Heilongjiang, Jilin, Shaanxi, Sichuan, Xinjiang, Yunnan, Guizhou, Zhejiang and Jiangsu of the PRC during the term of such agreement.
	Renewal:	We are given a priority to renew the term with our supplier on the basis that the annual minimum purchase order of the prior years and the minimum number of new hospitals in Guangdong which use Liupuan for use have been met.
	Minimum purchase order:	Year 2009 (from 1 January to 31 December): 340,000 boxes (20 capsules per box). Year 2010 (from 1 January to 31 December): 380,000 boxes (20 capsules per box). Year 2011 (from 1 January to 31 December): 420,000 boxes (20 capsules per box). We are required to fulfil an annual minimum purchase order in any given year and to increase the number of hospitals in Guangdong to use Liupuan by least 20 second tier (or above) hospital before 31 December 2010, failing which the supplier is entitled to revoke the exclusive distribution right granted to us. Except for the year 2007 where the purchase amount was 108,200 boxes (20 capsules per box) below the minimum purchase order of 300,000 boxes of the relevant year, the Group has fulfilled the minimum purchase order requirement during the Track Record Period *(Note)*.
	Payment terms:	Payment upon delivery.

Product	Summary of the key terms of our agency distribution agreements	
	Pricing policy:	Price is determined on an arm's length basis and by reference to the total volume of sales by the Group of such product in the previous years, the price offered in the tendering process for central procurement projects of medical institutions and the relevant the price ceiling prescribed by the government authorities from time to time. If we exceed the agreed annual minimum purchase order in any given year, a certain discount on the purchase price will be given to us.
	Termination right:	Nil.

Note: The purchase volume of Liupuan for the period of 18 months from the date of first delivery under the agreement dated January 2007 was 108,200 boxes below the minimum purchase order of 300,000 boxes of the relevant period. However, given the fact that the supplier did not exercise the right to revoke the distribution right for the shortfall of the minimum purchase order for the relevant period and that the agreement was renewed with our supplier on 16 February 2009, the Company and its PRC legal advisor are of the view that no further action is likely to be taken by the supplier against the Group for the under-purchase under the previous agreement.

Mycophenolate Mofetil Capsules . . .	Date of agreement:	8 April 2010.
	Term:	This agreement will expire on 7 October 2013.
	Exclusivity:	We have been granted exclusive distribution right of Mycophenolate Mofetil Capsules in the PRC.
	Renewal:	Provided that we have met the minimum purchase order under the agreement, the agreement will be renewed for a term of 2 years upon expiration of the existing term of the agreement.
	Minimum purchase order *(Note)*:	From 8 April 2010 to 7 October 2011: 30,000 boxes (40 capsules per box)
		From 8 October 2011 to 7 October 2012: 60,000 boxes (40 capsules per box)
		From 8 October 2012 to 7 October 2013: 110,000 boxes (40 capsules per box)
	Payment term:	Payment before delivery.
	Pricing policy:	Price is determined on an arm's length basis and by reference to the price for comparable products in the market in the PRC. If we exceed the agreed annual minimum purchase order in any given year, a certain discount on the purchase price will be given to us.
	Termination right:	Nil.

Note: Based on our current progress, the product is expected to be launched in the third quarter of 2010.

OTHER PHARMACEUTICALS

We also manufacture and/or sell over 13 Other Pharmaceuticals. The following table sets forth the details of some of our products:

Name	Major Ingredients	Form	Prescription/ OTC	Date of Launch	Manufacture/ Agency distribution	Self developed/ Acquired	Date of medicine registration certificate	Medicine registration certificate expiry date	Usage
Other Pharmaceutical Products									
Indometacin Cataplasm (Biaide) 吲哚美辛巴布膏（必艾得）. . . .	吲哚美辛Indometacin	Patches	OTC	2007	Agency	Not applicable	21 October 2004	20 October 2009 *(Note 1)*	Treatment for soft tissue pains, such as muscular ache and frozen shoulder; an unique formulation technology without allergic reaction
Bazhen Keli 八珍颗粒. . .	黨參Radix Codonopsis、白朮Rhizoma Atractylodis Macrocephalae、當歸Radix angelicae sinensis、熟地黃Radix Rehmanniae Preparata	Granules	OTC	2002	Manufacture	Self developed	21 June 2002	20 June 2007 *(Note 1)*	Treatment for blood deficiency, sallow complexion and weakness in limbs
Yinxingye Pian 銀杏葉片	銀杏葉提取物Ginkgo Biloba Extract	Tablets	Prescription	2002	Manufacture	Self developed	30 November 2002	29 November 2007 *(Note 1)*	Treatment for coronary insufficiency angina pectoris, myocardial infarction due to arteriosclerosis or hypertension, cerebral embolism, cerebrovascular spasm, and senile dementia, etc
Dingpeng Rugao 丁硼乳膏	丁香羅勒油Oleum ocimi Gratissimi、硼砂Borax	Cream	OTC	2002	Manufacture	Acquired	23 May 2005	22 May 2010	Treatment for inflammation and pains, such as gingivitis, periodontitis, gingiva redness and mouth inflammation
Fufang Danshen Pian 複方丹參片	丹參Radix Salviae Miltiorrhizae、三七Radix notoginseng、冰片Borneolum Syntheticum	Tablets	Prescription	2002	Manufacture	Self developed	21 June 2002	20 June 2007 *(Note 1)*	Treatment for coronary heart diseases, angina pectoris, chest distress and palpitation
Chanfukang Keli 產復康顆粒	人參Radix ginseng、黃芪Radix Astragali、何首烏Radix Polygoni Multiflori、益母草Herba Leonuri	Granules	Prescription	2002	Manufacture	Acquired	16 August 2002	16 June 2010	Treatment for unwellness of post-pregnancy, such as excessive bleeding and fatigue
Mistura Glycyrrhizae Composita Oral Solution 複方甘草口服溶液 . .	甘草流浸膏Glycyrrhiza liquid extract、復方樟腦酊Compound Camphor Tincture	Oral Solution	Prescription	2002	Manufacture	Self developed	13 September 2002	12 September 2007 *(Note 1)*	Treatment for upper respiratory tract infection, bronchitis and symptoms of influenza
Ganda Pian 肝達片	山茱萸Fructus Corni、酸棗仁Semen Ziziphi Spinosae、黃芪Radix Astragali、太子參Radix Pseudostellariae	Tablets	Prescription	2002	Manufacture	Acquired	18 December 2002	16 June 2010	Treatment for chronic active hepatitis B
Concentrated Divitamins and Sodium Phosphate Syrup 濃維磷糖漿	甘油磷酸鈉Sodium Glycerophosphate、咖啡因Caffeine、煙酸Nicotinic Acid	Syrup	Prescription	2002	Manufacture	Self developed	31 May 2003	30 August 2008 *(Note 1)*	Treatment for dizziness, fatigue and hypophosphatemia
Keshu Tangjiang 咳舒糖漿	枇杷葉Folium Eriobotryae、南沙參Radix Adenophorae、浙貝母Bulbus Fritillariae Thunbergii、桔梗Radix Platycodonis、氯化銨Ammonium Chloride	Syrup	OTC	2002	Manufacture	Self developed	30 November 2002	29 November 2007 *(Note 1)*	Treatment for coughing and removing phlegm due to chronic bronchitis
Lingyang Ganmao Jiaonang 羚羊感冒膠囊.	金銀花Flos lonicerae、連翹Fructus Forsythiae、桔梗Radix Platycodonis	Capsules	OTC	2002	Manufacture	Self developed	21 June 2002	20 June 2007 *(Note 1)*	Treatment for influenza, common cold, fever and sore throat
Runing Pian 乳寧片. . . .	石刁柏Radix Asparagi officinalis	Tablets	Prescription	2002	Manufacture	Self developed	21 June 2002	20 June 2007 *(Note 1)*	Treatment for removing phlegm, promoting hemodynamics, cerebral embolism, tumefaction and galactophore agglomeration
Modern Chinese medicines extracts 現代中藥提取物. . . .	—	Powder	Not Applicable	2002	Manufacture	Self developed	Not Applicable	Not Applicable *(Note 2)*	Raw materials for the production of Chinese medicine extracts

Note 1: The medicine registration certificates for these products have expired as at the Latest Practicable Date. The Group has yet to obtain new medicine registration certificates for these products because the re-registration procedures in the PRC are currently under review, and applications for medicine registration certificates are generally suspended pending such review. According to a notice issued by SFDA on 31 July 2009, the medicine registration certificates for these products can be used during the review period of re-registration that shall be

completed by 30 September 2010. The PRC legal advisor of the Company has confirmed that the Group has submitted the applications to renew the medicine registration certificates in accordance with the applicable PRC laws and regulations and that they are not aware of any legal impediment to the Group in renewing the medicine registration certificates which have expired. Since the re-registration applications have been submitted and accepted, the PRC legal advisor of the Company confirmed that medicine registration certificates for such products will, pending the review of re-registration procedures, continue to be used during the review period of such re-registration notwithstanding their expiry.

Note 2: The manufacturing of modern Chinese medicines extracts does not require medicine registration certificate.

We have entered into an agency distribution agreement for Indometacin Cataplasm (Biaide) with a local pharmaceutical trading company which is an Independent Third Party for a term of three years which will expire on 1 October 2010. We have been granted an exclusive distribution right of Biaide in the PRC during the term of such agreement. We are given a priority to renew such agreement with the manufacturer of Biaide upon its expiration. We are required to fulfil an annual minimum purchase order in any given year failing which the supplier is entitled to revoke the exclusive distribution right granted to us. If we exceed the agreed annual minimum purchase order in any given year, a certain discount on the unit price will be given to us.

We generally will negotiate with our supplier the terms of renewal of our agency agreement six months before the expiry date.

Government regulation and supervision

The pharmaceutical industry in China is subject to extensive government regulation and supervision, including approval, licensing and certification requirements applicable to manufacturers and products under various stages of development. Our PRC legal advisor has confirmed that we have complied in all material respects with the legal and regulatory requirements in carrying out our business and in manufacturing and selling our products.

Under PRC laws, SFDA approval and registration is valid for a term of five years and must be renewed within six months prior to expiration by submitting application materials required under PRC law to the relevant authorities. The Directors intend to arrange for renewal for all our SFDA approvals and registrations prior to their expiration in accordance with applicable PRC laws and regulations to ensure continuity of valid approval and registration required for the manufacture and sale of our products in China. The Directors believe that there are no legal impediments in renewing SFDA approvals and registrations for our products. Our broad product portfolio serves as a rich reserve that allows us to adjust and adapt our production output to optimize our product mix. As a result, we are able to promptly react to market conditions based on the price and profitability of our products, capitalize on attractive market opportunities and adapt to regulatory changes.

Our PRC legal advisor has confirmed that we have obtained all medicine registration certificates (藥品註冊証) that are necessary for the purpose of our operation. As at the Latest Practicable Date, the Group has yet to obtain new medicine registration certificates (藥品註冊証) for the products whose medicine registration certificates (藥品註冊証) have expired because the re-registration procedures in the PRC are currently under review, and

applications for medicine registration certificates (藥品註冊証) are generally suspended pending such review. According to our PRC legal advisor, existing medicine registration certificates (藥品註冊証) for such products will, pending the review of re-registration procedures, continue to be used during the review period of such re-registration notwithstanding their expiry.

SALES, MARKETING AND DISTRIBUTION

Rheumatic specialty prescription western pharmaceuticals of the Group are being marketed and distributed nationwide. While the front end of distribution of the Group's rheumatic specialty prescription western pharmaceuticals are with doctors and hospitals, the distribution network could extend to offer easier access to and covers patients living in rural areas. Once patients get a doctor's prescription, they could then buy the drugs in local pharmacies or drug stores. We have long-term and stable relationships with hospitals and medical centers since the launch of Pafulin in 2002, which can be leveraged to shorten product development cycle for our pipeline products.

We are also involved in increasing public awareness of rheumatology by setting up medical conferences with medical associations at medical institutions and hospitals in which doctors are the participants. For the three years ended 31 December 2007, 2008 and 2009, the seminars, conferences and related expenses incurred in the promotion of the Group's products and awareness of rheumatology were approximately USD8.2 million, USD12.8 million and USD15.4 million respectively. To further expand our market share, we intend to expand our coverage to more hospitals and clinics nationwide.

Our sales and marketing department is in charge of managing our distribution, sales and marketing network. The regional managers and sales representatives are our employees working closely with our distributor customers to market our products to large and medium-sized hospitals in China. The roles of our sales representatives include, but not limited to conference arrangements across PRC, market research on hospitals, patients and the industry, customers management, delivery co-ordination, inventory control and facilitate our trade receivable control. As at the end of the three years ended 31 December 2007, 2008 and 2009, we have 251, 247 and 263 sales representatives respectively. The increase in the number of sales representatives were the result of our increase in coverage of hospitals and clinics to cope with our business expansion.

Our products are mainly distributed through our distributor customers to a nationwide network of hospitals, clinics and pharmacies. Distributor customers are our direct customers. Our distributor customers then sell our rheumatic specialty prescription western pharmaceuticals mostly to hospitals, and Other Pharmaceuticals primarily to pharmacies. The sale of rheumatic specialty pharmaceuticals requires consistent marketing efforts targeting doctors and patients (i.e. end-users of the rheumatic specialty pharmaceuticals) enabling the understanding of the specialty pharmaceuticals and its usage, which many suppliers or manufacturers do not have such capacity. On the contrary, we have been providing education and seminars to doctors and patients in relation to rheumatic specialty prescription western pharmaceuticals over the years which give us an extensive sales and distribution network and an established reputation in the industry.

Our customers typically monitor their inventory level and place sales orders with us when their inventory level has fallen below a specified standard in accordance with their internal inventory policy. Generally, we have access to the inventory system of our major distributors for the sales quantity and inventory level of our products distributed by them. Our sales representative closely monitor the inventory level of our major distributor customers on a monthly basis. To ensure that there will not be any accumulation of inventory at our distributor customers level, it is the term of our product sales agreement that our distributor customers shall cooperate with us when we conduct regular inspection on their inventory level and in the case where their inventory level is found to have been excessive, we are entitled to limit the amount of goods to be delivered to them. We are not a party to the contracts entered into between our distributor customers and hospitals, medical centers, pharmacies or other retail outlets in relation to the sale of our products. Under the product sales agreement with our distributor customers, we provide products that meet specified product standard and in the amount and at the prices as specified in the contracts. We deliver and sell our products directly to our customers and receive payments directly from our customers.

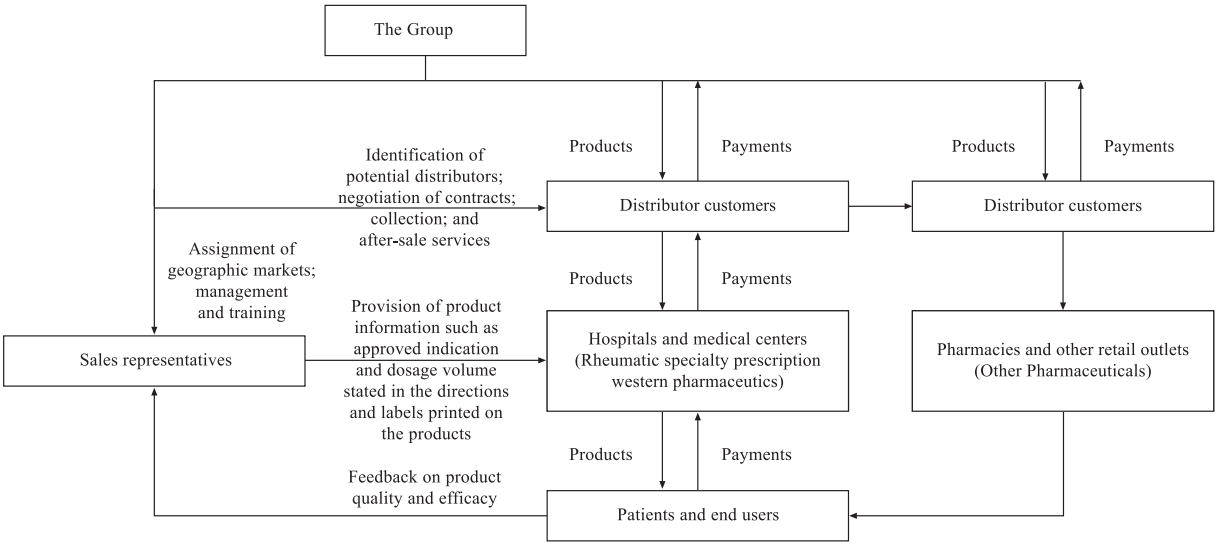
Pursuant to the product sales agreements, we normally do not grant exclusive distribution right to our distributor customers and they are not subject to any annual or monthly, minimum or maximum purchase order or any initial purchase requirement upon joining our sales network. Nevertheless, we will provide in the agreements a sales target of a given year, above which various discounts on the unit price may be offered and no discounts will be provided to our distributor customers if they cannot meet our sales target set. The sales target will also form the basis for us to determine the price range and the quantity to be supplied to our distributor customers for the next year. Under these agreements, our distributor customers are required to report to us on a monthly basis the information on the products ordered, sold and being stored by them and inform us of any counterfeit of our products in the market. We typically grant a credit period of an average of 90 days to our customers. These product sales agreements were entered into with us annually, renewal will be subject to negotiation with our distributor customers based on their historical performance. These agreements also allow for the return of our unsold products by our distributor customers on specified conditions, such as a return of unsold inventory within a period of three months from the date of delivery, subject to the maximum amount of 5% of the aggregate sales for the relevant period, or due to defective packaging and unsatisfactory quality of our products delivered in accordance with the terms of these product sales agreements. To the best of the knowledge of the Directors having made all reasonable enquiries, we have not experienced any major return of our products by our distributor customers and end customers in the past and we have not experienced any material breach of terms of product sales agreements by the distributor customers during the Track Record Period.

According to the Group's accounting policies, the revenue for sales to the customers is recognised upon transfer of the significant risks and rewards of ownership to the customers. This is usually taken as the time when goods are delivered and the customers has accepted the goods. Save as disclosed above, the Group's sales to its customers are without recourse.

For the years ended 31 December 2007, 2008 and 2009, sales return from our direct customers amounted to approximately USD0.5 million, USD0.4 million and USD0.2 million respectively, representing approximately 2.0%, 1.0% and 0.4% respectively of our

turnover during the same periods. For the years ended 31 December 2007, 2008 and 2009, the amount of unsold inventory held by our direct customers and which were returned to the Group amounted to approximately USD78,000, USD110,000 and USD42,000 respectively, representing approximately 0.3%, 0.3% and 0.1% respectively of our turnover during the same periods.

The following chart illustrates how our principal products are distributed:



During the Track Record Period, we have not identified any breach of applicable laws or regulations by our distributor customers in selling our products. In addition, pursuant to the product sales agreements entered into with our distributor customers, in the event that our distributor customers have not strictly complied with all applicable laws and regulations in the PRC, we are entitled to terminate the agreement with them.

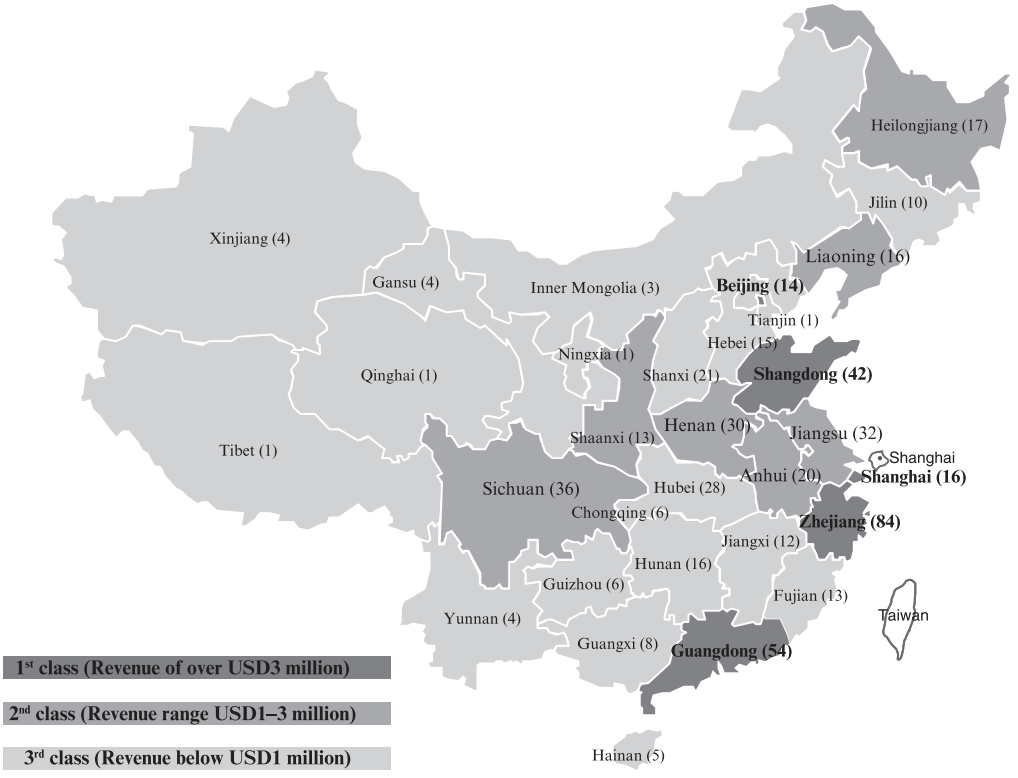
Our distributor customers are Independent Third Parties. We select our distributor customers which are commercial companies distributing pharmaceutical products including prescription and OTC pharmaceuticals based on a variety of criteria, such as their credit record, customer portfolio and distribution network. In addition to the sale of the Group's products to distributor customers, the Group also sells their products directly to hospitals and pharmacies of remote regions where no local distributor is available to them and sell bulk pharmaceuticals to pharmaceutical manufacturers in the PRC, mainly for the sale of modern Chinese medicine extracts. The following table sets forth the changes in the number of our distributor customers during the Track Record Period:

	Year ended 31 December								
	2007			2008			2009		
	Distributor customers	Other customers *(Note)*	Total direct customers	Distributor customers	Other customers *(Note)*	Total direct customers	Distributor customers	Other customers *(Note)*	Total direct customers
Addition of direct customers during the year	219	117	336	218	78	296	179	88	267
Departure of direct customers during the year	188	83	271	211	99	310	218	97	315
Net increase/(decrease) in the number of direct customers during the year	31	34	65	7	(21)	(14)	(39)	(9)	(48)
Total number of direct customers at the end of year	443	163	606	450	142	592	411	133	544

Note: Other customers include pharmaceutical manufacturers, hospitals, pharmacies and clinics.

We generally enter into one year product sales agreements with our major distributor customers of our core products with sales targets and we review the performance of all our distributor customers from time to time. These one year contracts can be terminated by 30 days prior written notice and revenue from such distributor customers account for approximately 60.7%, 68.1% and 57.9% of the Group's total revenue during the years ended 31 December 2007, 31 December 2008 and 31 December 2009. For most of our remaining customers, we only have contractual relationship with them as and when they place order with us. The decrease in the number, and the joining and departure of our customers during the Track Record Period was primarily due to our stricter standards to select our customers and our strategic shift on focusing and building a stronger business relationship with our major distributor customers. The decrease was also consistent with the trend towards consolidation in the pharmaceutical distribution industry in China. The Company has maintained stable and long-term relationship with our major distributor customers. Our business relationship with the top 20 distributor customers in 2009 in terms of revenue were established before the Track Record Period. Our revenue from such distributors accounts for approximately 49.7%, 55.9% and 51.4% of the Group's total revenue for each of the years ended 31 December 2007, 2008 and 2009 respectively.

The following map illustrates the geographic coverage of our products in terms of revenue and the number of direct customers which comprise distributor customers and other customers as at 31 December 2009:



The following table illustrates the contributions to our revenue by provinces and municipal cities in which all of our products were distributed for the periods indicated.

	2007	2008	2009
	(USD in thousand)		
Eastern China	10,115	14,466	16,756
Central and Southern China	5,294	9,767	14,853
Northern China	3,498	5,499	6,283
Southwest China	1,944	2,400	3,612
Northeast China	1,744	2,466	3,319
Northwest China	1,206	2,080	2,492
Overseas	349	441	617
	24,150	37,119	47,932

Remarks:

Northern China:	*Beijing, Tianjin, Hebei Province, Shanxi Province, Inner Mongolia Autonomous Region*
Northeast China:	*Liaoning Province, Jilin Province, Heilongjiang Province*
Eastern China:	*Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province, Shandong Province*
Central and Southern China:	*Henan Province, Hubei Province, Hunan Province, Guangdong Province, Guangxi Autonomous Region, Hainan Province*
Southwest China:	*Chongqing, Sichuan Province, Guizhou Province, Yunnan Province, Tibet Autonomous Region*
Northwest China:	*Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region, Xinjiang Autonomous Region*

Branding and public awareness

We have registered 24 trademarks in the PRC, of which, the most recognized nationwide: Lansen. To enhance our brand awareness and customer loyalty, we are looking to focus on promoting the trademarks of "Lansen" to the public as well as to doctors and our target market segments, and "Lansen" has been used primarily for rheumatic specialty prescription western pharmaceuticals. To further differentiate our products from other products available in the market, we have registered 17 design patent protections for packaging and design for our various products. These design patents enable our customers to distinguish our products and to facilitate identification of counterfeit products as part of our anti-counterfeiting measures. Please refer to the section headed "Intellectual property rights" in this prospectus for further details.

We are involved in the promotion of the awareness of rheumatology nationwide, including its diagnosis and treatment. We also sponsor the CRA by holding rheumatology seminars, conferences, events and activities nationwide to increase public awareness of rheumatology. To further expand our market shares, we intend to expand hospitals and medical centers coverage in the existing network as an increasing number of hospitals has shown to set up rheumatology departments. We anticipated that we can achieve our expansion via the reputation of our key products, being Pafulin and Tuoshu.

Pricing policy

We believe that due to the economies of scale and production efficiency we have achieved, we are able to offer our products at competitive prices. Pharmaceutical products included in the Insurance Catalogue must satisfy certain requirements. For example, they must be necessary in clinical use, safe, effective, reasonably priced, user friendly, available in the market and be included in the Pharmacopoeia of the PRC and meet standards promulgated by the SFDA. Currently, all of our rheumatic specialty prescription western pharmaceuticals products are included in the Insurance Catalogue and subject to price control by the relevant authorities as a result of which these products could not be sold above a prescribed retail price. See "Regulation — Procurement System".

As all of our products which are subject to price control are required to undergo the tender processes regulated by local government before they can be sold by the our distributor customers to the hospitals, the unit prices offered in the tender could not be higher than those fixed by National Development and Reform Commission of the PRC. The local pricing bureau maintains a record of the purchase price of products sold by the distributors to hospitals. The Directors are of the view that such mechanism is sufficient to monitor the compliance of our distributor customers with the relevant regulations in relation to price control when selling our products.

Since none of our products are sold above the price ceilings prescribed by the government, the Directors confirm that we are in compliance with applicable laws and regulations relating to price control over pharmaceutical products in China. During the years ended 31 December 2007, 2008 and 2009, sales of our products subject to price control accounted for approximately 78.8%, 79.3% and 75.0% respectively, of our total revenue. The prices of our products not subject to price control are determined by the market and we price such products by reference to production cost, price of the comparable products, our own market survey and the feedback regarding the status of sales of our products we receive periodically from our distributors.

During the Track Record Period, the retail price ceilings in respect of Pafulin, Jinlang and Yisuojia have been adjusted downward and the retail price ceiling in respect of Tuoshu has been adjusted upward. Based on the immaterial adjustment of the retail price ceilings set by the government historically and the fact that sales of the products subject to adjustment in price ceiling which took place in the year 2007 increased during the year 2007 and 2008, the Directors consider that such change in retail price ceiling during the Track Record Period did not have any material effect on our operation and financial results during the Track Record Period and to the best of their knowledge, the Directors are not aware of any material changes to the retail price ceilings announced to be made going forward. The following table sets out the retail price ceiling of our major products:

Name	Insurance Catalogue	Subject to Price Control *(Note 2)*	Retail Price Ceiling as at 1 Jan 2007 (USD)	1 Jan 2008 (USD)	1 Jan 2009 (USD)	31 Dec 2009 (USD)
Rheumatic Specialty Prescription Western Pharmaceuticals						
Pafulin (Total Glucosides of White Peony Capsules) 帕夫林（白芍總苷膠囊）	Type B	Yes				
12 capsules per box			2.84	2.46	2.46	2.46
36 capsules per box			8.19	7.09	7.09	7.09
60 capsules per box *(Note 1)*			—	11.60	11.60	11.60
180 capsules per box			38.6	33.44	33.44	33.44
Tuoshu (Leflunomide Tablets) 妥抒（來氟米特片）	Type B	Yes				
10 tablets per box			9.96	11.42	11.42	11.42
30 tablets per box *(Note 1)*			—	—	32.95	32.95
Jinlang (Capsaicin Ointment) 勁朗（辣椒鹼軟膏）	Type B	Yes				
10 gram per bottle			4.37	3.21	3.21	3.21
20 gram per bottle			7.37	6.09	6.09	6.09
Yisuojia (Glucosamine Sulfate Capsules) 伊索佳（硫酸氨基葡萄糖膠囊）	Type B	Yes				
24 capsules per box			11.6	8.79	8.79	8.79
Liupuan (Glucosamine Potassium Sulfate Capsules) 留普安（硫酸氨基葡萄糖鉀膠囊）	Type B	Yes				
20 capsules per box			9.16	7.37	7.37	7.37
Mycophenolate Mofetil Capsules 嗎替麥考酚酯膠囊	Type B	Yes				
40 capsules per box			—	—	—	54.06

Name	Insurance Catalogue	Subject to Price Control *(Note 2)*	Retail Price Ceiling as at 1 Jan 2007 (USD)	1 Jan 2008 (USD)	1 Jan 2009 (USD)	31 Dec 2009 (USD)
Other Pharmaceuticals						
Indometacin Cataplasm (Biaide)	Not	No	Not	Not	Not	Not
吲哚美辛巴布膏（必艾得）	applicable		applicable	applicable	applicable	applicable
Bazhen Keli	Type B	Yes				
八珍顆粒						
8 gram per 14 packs			4.72	4.72	4.72	4.72
3.5 gram per 10 packs			4.32	4.32	4.32	4.32
3.5 gram per 14 packs			6.05	6.05	6.05	6.05
3.5 gram per 18 packs *(Note 1)*			—	7.78	7.78	7.78
Yinxingye Pian	Type B	Yes				
銀杏葉片						
9.6 mg per 24 capsules			2.64	2.64	2.64	2.64
9.6 mg per 90 capsules			9.43	9.43	9.43	9.43
19.2 mg per 24 capsules			4.48	4.48	4.48	4.48
19.2 mg per 48 capsules *(Note 1)*			—	8.74	8.74	8.74
19.2 mg per 96 capsules *(Note 1)*			—	17.05	17.05	17.05
Dingpeng Rugao	Type B	Yes				
丁硼乳膏						
36 gram per bottle			2.23	2.23	2.23	2.23
65 gram per bottle			2.81	2.81	2.81	2.81
125 gram per bottle			5.40	5.40	5.40	5.40
Fufang Danshen Pian	Type A	Yes				
複方丹參片						
30 tablets per bottle			0.97	0.97	0.97	0.97
60 tablets per bottle			1.07	1.07	1.07	1.07
Chanfukang Keli	Type B	Yes				
產復康顆粒						
10 gram per 12 packs			2.46	2.46	2.46	2.46
20 gram per 12 packs *(Note 1)*			—	3.81	3.81	3.81
Mistura Glycyrrhizae Composita Oral Solution	Type A	Yes				
複方甘草口服溶液						
100 ml			0.95	0.95	0.95	0.95
180 ml			1.64	1.64	1.64	1.64
250 ml			16.99	16.99	16.99	16.99
Ganda Pian	Not	No	Not	Not	Not	Not
肝達片	applicable		applicable	applicable	applicable	applicable
Concentrated Divitamins and Sodium Phosphate Syrup	Not	No	Not	Not	Not	Not
濃維磷糖漿	applicable		applicable	applicable	applicable	applicable
Keshu Tangjiang	Type B	Yes				
咳舒糖漿						
120 ml per bottle			2.93	2.93	2.93	2.93
Lingyang Ganmao Jiaonang	Not	No	Not	Not	Not	Not
羚羊感冒膠囊	applicable		applicable	applicable	applicable	applicable
Runing Pian	Not	No	Not	Not	Not	Not
乳寧片	applicable		applicable	applicable	applicable	applicable
Modern Chinese medicines extracts	Not	No	Not	Not	Not	Not
現代中藥提取物	applicable		applicable	applicable	applicable	applicable

Note 1: Products of these specifications have not been launched to the market before 1 January 2007 and 1 January 2008 (as the case may be), and as such, information on their relevant price ceiling is not available as at 1 January 2007 and 1 January 2008 (as the case may be).

Note 2: Only those products which fall within the insurance catalogue are subject to price control.

Sale of goods are recognised upon transfer of the significant risks and rewards of ownership to the customers. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Relationship with customers

During the years ended 31 December 2007, 2008 and 2009, our five largest customers accounted for approximately 25.9%, 33.3% and 33.8% respectively, of our total revenue by value for such period. During the same period, our largest customer accounted for approximately 6.8%, 10.2% and 14.8% of our total revenue for such periods respectively. Our five largest customers are all large distributor and manufacturers of pharmaceutical products in China. During the Track Record Period, approximately 86.4%, 85.6% and 79.9% of our total revenue for the three years ended 31 December 2007, 2008 and 2009 respectively, were made directly to our distributors which then resold our products to hospitals, medical institutions, pharmacies and other retail outlets. None of our Directors or any of our existing Shareholders who hold more than 5% of our issued share capital, or any of their respective associates, had any interest in any of our five largest customers in any of the years ended 31 December 2007, 2008 and 2009.

In addition to product sales, our sales force also performs additional training for our customers who are distributor customers, and doctors of hospitals and medical centers, on product knowledge to ensure the level of product recognition, while at the same time strengthening the ability to solicit further sales. When communicating with rheumatologists, we specifically emphasize the concept of chronic disease treatment with our key product, Pafulin, being a slow-acting medicine with good curative effects and mild adverse effects to meet the clinicians' requirements for long-term usage. By combining the product's special functions and professional after-sales service, we have built long-term cooperation with doctors and patients to ensure further development.

To minimize the risk of being involved in corrupt practice claims due to third parties' conduct, we have adopted stringent internal control procedures to prevent corrupt practices. Our internal control procedures include background checks of our potential customers prior to entering into contracts with them to determine whether they have been involved in corrupt practices in the past. We have procedures in place which require our employees to produce original and valid invoices before they can be reimbursed for any expense incurred by them in the course of performing their duties. In the case where our employee is found to have engaged in any corruptive practice or committed any crime, we will terminate the employment relationship with him in accordance with the terms of our labour contract and report him to relevant authorities. In addition, the contracts with our distributor customers generally provide that they shall strictly comply with all applicable laws and regulations in the PRC and shall be solely responsible for all penalties as a result of any breach or non-compliance with any law or regulation.

PRODUCT DEVELOPMENT AND RESEARCH

We focus our product development and research efforts on specialty western pharmaceuticals with therapeutic focus on the treatment of rheumatic diseases such as rheumatoid arthritis, metabolic arthritis and osteoarthritis with high prevalence rates but lack of effective pharmacotherapy. We aim to focus our product development and research efforts in the development of first-to-market generic pharmaceuticals, modified generic pharmaceuticals and upgrading of existing products through market analysis before commencing a product development and research project to determine whether the pharmaceutical is commercially viable, is able to achieve widespread acceptance in the marketplace, and for new generic pharmaceuticals, whether such generic pharmaceutical will be the first generic version in the market. We conduct our product development and research through collaboration with external research institutions and universities by way of joint development and for new drugs in the market, by purchase of granted approvals for clinical trials or technology. We believe this product development and research strategy will lead to the development of products that have a high potential for commercialization and can maximize our growth rate and profit margins.

As at 31 December 2009, we had approximately 36 employees involved in our product development and research efforts on a full time basis of which approximately 70% had received a bachelor's degree or above and four had obtained a master's degree. All of them have professional training in pharmacology, Chinese medicine, chemistry or related disciplines. They are responsible for specifying research direction after understanding the needs of the relevant market segment, coordinating and managing product development and research projects for collaborations with external research partners, and conducting market analysis and research primarily for upgrading of existing products and for certain modified generic pharmaceuticals.

The following table sets out the breakdown of our research and development expenditure:

	Year ended 31 December		
	2007	2008	2009
	(USD in thousand)		
Research and development capitalized	426	214	778
Research and development expenses	12	33	302
Total	438	247	1,080

For the three years ended 31 December 2007, 2008 and 2009, our total product development and research expenditures represented approximately 1.8%, 0.7% and 2.3% of our total revenues respectively. It is the business strategy of the Group to minimize its upfront costs in relation to research and development, and be selective on choosing product candidate to be developed. Prior to 2009, the Company has been focusing its resources on developing its sales and distribution network and since 2009, the Company has increased its investment in product development. The amount for the purchase of production technologies or rights in granted approvals of new drugs in addition to research and development expenses and costs capitalized during the Track Record Period was approximately nil, nil and USD0.1 million respectively.

Collaboration with external research partners

We collaborate with third party research institutions and universities in China which are experienced in conducting pharmaceutical research and clinical trials to jointly develop new products. Our research partners are Independent Third Parties, including Beijing D-Venture pharm.T.Corp (北京德眾萬全醫藥科技有限公司) which is a subsidiary of Venturepharm Laboratories Limited (a listed company on the Stock Exchange), Nanjing Core Technology Company Limited (南京艾德凱騰生物醫藥有限責任公司), a subsidiary of Nanjing Pharmaceutical Co., Ltd. (a listed company on the Shanghai Stock Exchange), Zhejiang University College of Pharmacy (浙江大學藥學院), a university in Zhejiang, and Anhui Medical University (安徽醫科大學), a university in Anhui. In addition to developing new products and conducting clinical trials with these institutions and universities, we also hosted seminars and conferences at medical institutions to promote and explain the use and effect of the Group's developed products.

Our relationships with a number of research institutes and universities with strong product development and research capability enable us to collaborate with academic scientists and clinical researchers. By leveraging on these relationships and by acquiring products to fill our pipeline, we are able to minimize the upfront costs and risks associated with early-stage product development. In general, the core production technology and commercialization method are developed and retained by us. We believe that this strategy enables us to benefit from our research partners' resources, expertise and facilities to develop new commercially viable products in a flexible and cost efficient manner.

Under the collaboration agreements, external research partners are mainly responsible for performing research on curative effects, developing or modifying formulae, clinical testing of products and undertaking to ensure commercialization of new drugs meeting quality standards, while we are generally responsible for specifying the research direction and providing raw material sample for research purpose and payment in stages with a proportion being payable at the commencement of the relevant research and further installments payable on the research partner achieving specified milestones, such as obtaining a permit for clinical research, Certificate of New Medicine, pharmaceutical manufacturing licence and commercialization of products meeting quality standards.

Under the collaboration agreements, we typically hold the Certificate of New Medicine under our name, the core technology for the manufacture and commercialization of a new drug remains with us and we retain exclusive ownership and rights to obtain production approval to produce the new drug. We also enjoy exclusive entitlement to revenue generated from such new drug. In addition, subject to commercial negotiation with our research partners, it is our general policy to obtain the exclusive rights to intellectual property associated with a new product where it is possible to obtain patents for the product. In addition, all of our research partners are bound by confidentiality obligations which prohibit them from transferring technology to third parties or divulging information relating to the products under development to third parties through publication or other means.

In addition to collaboration with research partners, we also purchase production technologies or rights in granted approvals of new drugs from selected biotechnology pharmaceutical companies by targeting promising development-stage products which have both high commercial potential and relatively low development risk. Product development through purchase of production technologies and rights in granted approvals can shorten our product development and research period which is suitable for developing new drugs in the market. Generally, at least two and a half years will be required for the development of a new product, subject to the timing of SFDA approval process.

Product candidates

We are developing a number of new pharmaceuticals through collaboration with the research institutes and universities and through purchase of production technologies. During the Track Record Period, we have acquired production technology including the proprietary rights associated with Loxoprofen Sodium and based on our current development progress, anticipate to commence production of Loxoprofen Sodium tablets by the end of 2010, subject to final approval of SFDA. Proprietary rights associated with Loxoprofen Sodium (including the New Medicine Certificate which was issued in the name of its initial holders for new drug registration and other medicine approval certificates) will be transferred to us and the vendor shall assist us in effecting all transfer procedures required under the laws and regulations in the PRC pursuant to the transfer agreement. The acquisition cost of Loxoprofen Sodium is accounted as Intangible assets in the Group's financial statements. As of 31 December 2009, we had 12 product candidates of which seven of them are related to the Core Business. These in-house developed products are in various stages of development and we have not yet commenced manufacturing of such products until we have obtained the required approvals from the SFDA. Based on our current development progress, details of the product candidates with rheumatic specialty that we believe have the highest potential for commercialization are summarised below:

			As at 28 February 2010		
Product candidate	Therapeutic effects and scope of applications	Status	Development cost incurred	Estimated development amount outstanding	Entities holding Certificate of New Medicine upon Completion of development
			(USD in thousand)		
Febuxostat tablets (非布索坦片劑)	For the treatment of metabolic arthritis caused by high uric acid	Currently applying for clinical trials Phases I and II clinical trials expected to start in 2010 and complete in 2011 SFDA approval expected before the end of 2013 *(Note 2)*	175	704	Ningbo Liwah
Hydroxychloroquine sulfate tablets (硫酸羥氯奎片劑)	DMARDs for the treatment of discoid lupus erythematosus and systemic lupus erythematosus	Pre-clinical pharmaceutical research underway Bioequivalency tests expected to start and complete in 2011 SFDA approval expected in 2012 *(Note 3)*	106	262	Ningbo Liwah

Product candidate	Therapeutic effects and scope of applications	Status	As at 28 February 2010		Entities holding Certificate of New Medicine upon Completion of development
			Development cost incurred	Estimated development amount outstanding	
			(USD in thousand)		
Thalidomide tablets (沙利度胺片劑)	DMARDs for the treatment to control lepromatous leprosy reactions	Pre-clinical pharmaceutical research underway Bioequivalency tests expected to start in 2011 and complete in 2012 SFDA approval expected in 2012 *(Note 2)*	78	274	Ningbo Liwah
Loxoprofen Sodium tablets (洛索洛芬鈉片劑)	Treatment for rheumatoid arthritis, osteoarthritis, back pain, periarthritis of shoulder, neck and shoulder wrist syndrome and anti-inflammatory analgesic after surgery, trauma, tooth extraction and acute upper respiratory tract inflammation	Proprietary rights in relation to new medicine certificate (藥品註冊証) and medicine approval certificate have been acquired. Preparing submission for SFDA approval in our name, which is expected to be completed in the fourth quarter of 2010	114	252	Third party *(Note 4)*
Compound capsaicin ointment (複方辣椒鹼軟膏)	Anti-inflammatory and analgesic drugs for the treatment of easing muscular and joint pains caused by rheumatism and back pains	SFDA approval expected before the end of 2010 *(Note 2)*	24	—	Ningbo Liwah
Strontium Ranelate granules (雷奈酸思顆粒劑)	Treatment of postmenopausal osteoarthritis to reduce risks of vertebral and hip fractures	Currently in phase I clinical trials Phase II clinical trials expected to complete in 2012 SFDA approval expected in 2013/2014	165	858	Ningbo Liwah
Sodium hyaluronate injection solution (玻璃酸鈉注射液)	Treatment of osteoarthritis in deformed knee joints and periarthritis of shoulder	Pre-clinical pharmaceutical research underway and expected to complete in 2010 SFDA approval expected before the end of 2012	78	321	Ningbo Liwah

Notes:

1. *In this schedule, "SFDA approval" refers to the medicine registration approval to be issued by the SFDA.*

2. *The expected time to obtain the SFDA approval was estimated by the Directors on the basis that (i) registration time can be successfully completed based on the PRC laws and regulations relating to the approval of pharmaceutical products currently in force and the Group's previous experience in obtaining the relevant SFDA approval; (ii) the approval procedures which are currently reviewed by the SFDA remain substantially the same; and (iii) no material difficulty arises in connection with the application for registration process.*

3. *In addition to the assumptions as referred to in note 2 above, the expected time to obtain the SFDA approval was estimated by the Directors on the basis that the results for pre-clinical trials research and clinical trials results are going to be positive and will be completed in accordance with the expected timeline.*

4. *The Group is preparing submission for the transfer of the manufacturing licence relating to Loxoprofen Sodium tablets and, on the basis of our current development progress and marketing plan, it is expected that such transfer will be completed in the fourth quarter of 2010.*

In addition to seven product candidates relating to our Core Business as set out above, we have five other product candidates under development which are related to Other Pharmaceutical Business. The Group has commenced development of most of projects before the Track Record Period and the resources allocated to these projects only contributed to a small part of the product development and research budget of the Group as a whole. The Group's focus in the future is still in rheumatology specialty prescription western pharmaceuticals.

In April 2010, we entered into an agency distribution agreement with a local manufacturer and obtained exclusive distribution right of Mycophenolate Mofetil Capsules in the PRC for the period from 8 April 2010 to 7 October 2013. Mycophenolate Mofetil is related to our Core Business and based on our current progress we expect to launch the product in the third quarter of 2010. The product can be used in treatment of both nephritic diseases and lupus erythematosus.

PRODUCTION

We currently own and operate two modern manufacturing facilities occupying approximately 64,000 square meters of land with total gross floor area of approximately 19,400 square meters located in Ningbo, PRC. Our operating facilities are GMP certified by the SFDA and adhere to stringent and closely monitored quality assurance and safety control processes. We have three production lines of bulk pharmaceuticals to produce Glucosides of White Peony (bulk pharmaceuticals of Pafulin), Capsaicin (bulk pharmaceuticals of Jinlang) and Huperzine A (bulk pharmaceutical of Fubaixin), one production line for the manufacturing of modern Chinese medicine, one solid formulation workshop for the production of tablets, capsules and granules, one liquid formulation workshop for the production of oral solutions medicine and syrups as well as one cream workshop for the production of cream.

Our products are generally produced in tablets, capsules, granule, oral solution, syrup and cream as described below:

- Tablet — by smashing and mixing the bulk drugs (or plant extracts or medicine raw material) with supplemental materials in accordance with prescribed formula, after granule making, drying and blending, the mixture is then molded into pharmaceutical products in different size and shape with specific molds.

- Capsules — by smashing and mixing the bulk drugs (or plant extracts or medicine raw material) with supplemental materials in accordance with prescribed formula, after granule making, drying and blending, the mixture is then filled into hollow capsules as finished pharmaceutical products.

- Granule — by smashing and mixing the bulk drugs (or plant extracts or medicine raw material) with supplemental materials in accordance with prescribed formula, after granule making, drying and blending, then packed into package bags as finished products.

- Oral Solution — by mixing the bulk drugs (or plant extracts, supplemental materials and suitable amount of water, then go through sith dispensing, sterilizing, filtering and injection under a specified processing conditions to obtain liquid drugs.

- Syrup — by mixing the bulk drugs (or plant extracts), supplemental materials, syrup and suitable amount of water, then go through sith dispensing, sterilizing, filtering and injection under a specified processing conditions to obtain liquid drugs.

- Cream — by mixing the bulk drugs (or plant extracts), supplemental materials, syrup and water, then go through sith dispensing, emulsification and injection into tube under a specified processing conditions to obtain finished products.

Prior to the Track Record Period, as the land on which one of our two manufacturing plants was to be returned to the PRC government at their request for the purpose of town planning, Liwah Zhiti had to relocate its manufacturing facilities and engage a processing agent to assist in production of raw materials and bulk pharmaceuticals in the interim period. In this respect, the Group received an amount of approximately RMB1.7 million (equivalent to approximately USD0.2 million) from the land-owner as compensation. Pursuant to an agreement and supplemental agreements entered into on 16 December 2004, 24 February 2005 and 18 May 2005 respectively with 浙江金湖葯業有限公司, a processing agent which is an Independent Third Party (the "**Processing Agreements**"), Ningbo Liwah has engaged a processing agent to produce certain raw materials and bulk pharmaceuticals for the period from 1 March 2005 to the second half of the year 2007. Pursuant to the Processing Agreements, the processing agent provided manufacturing facilities to Ningbo Liwah for production of raw materials and bulk pharmaceuticals in accordance with our specifications and requirements and a number of our manufacturing staff were seconded to the processing agent in order to monitor the operations including the production process and the standards to ensure quality our pharmaceutical products produced by the processing agent. The Directors confirmed that subsequent to the expiry of the Processing Agreements on 16 May 2007, the processing agent continued to arrange for the Group's production of raw materials and bulk pharmaceuticals for Ningbo Liwah under the same terms and conditions of the Processing Agreements after the expiry of the Processing Agreements and before the new manufacturing plant of Liwah Zhiti commenced production in January 2008. During the Track Record Period, the fee incurred under the Processing Agreements was approximately USD0.5 million, nil and nil respectively.

The Group also engages in sub-contract processing of raw materials and modern Chinese medicine extracts as and when required to meet its business needs from time to time. The costs incurred by the Group in respect of all sub-contract processing, including the processing fee under the Processing Agreements was approximately USD0.5 million, USD0.4 million and USD1.1 million for the year 2007, 2008 and 2009 respectively. Save for the products sold under agency distribution agreements, the Processing Agreements and the above sub-contract arrangements for raw materials and modern Chinese medicine extracts, the Group manufactured all its pharmaceutical products during the Track Record Period.

Manufacturing facilities

The following table sets out GMP certification for all of our production lines:

GMP certificates for production	Date of Issue	Date of Expiry
Tablets, capsules, granules, mixture, oral solution, syrup (including Chinese medicine extracts), cream, oral solutions and bulk pharmaceuticals (Capsaicin)	16 February 2009	15 February 2014
Bulk pharmaceuticals (Total Glucosides of Peony and Huperzine A, including Chinese medicine extracts)	31 January 2008	30 January 2013
Bulk pharmaceuticals (Total Glucosides of Peony)	15 December 2005	14 December 2010 *(Note)*
Cream	1 November 2005	31 October 2010 *(Note)*
Bulk pharmaceuticals (Capsaicin)	4 January 2005	3 January 2010 *(Note)*
Tablet, capsules, granules, syrup, oral solutions, mixture, oral solutions (including Chinese medicine extracts) and bulk pharmaceuticals (Huperzine A)	14 December 2004	25 February 2009 *(Note)*

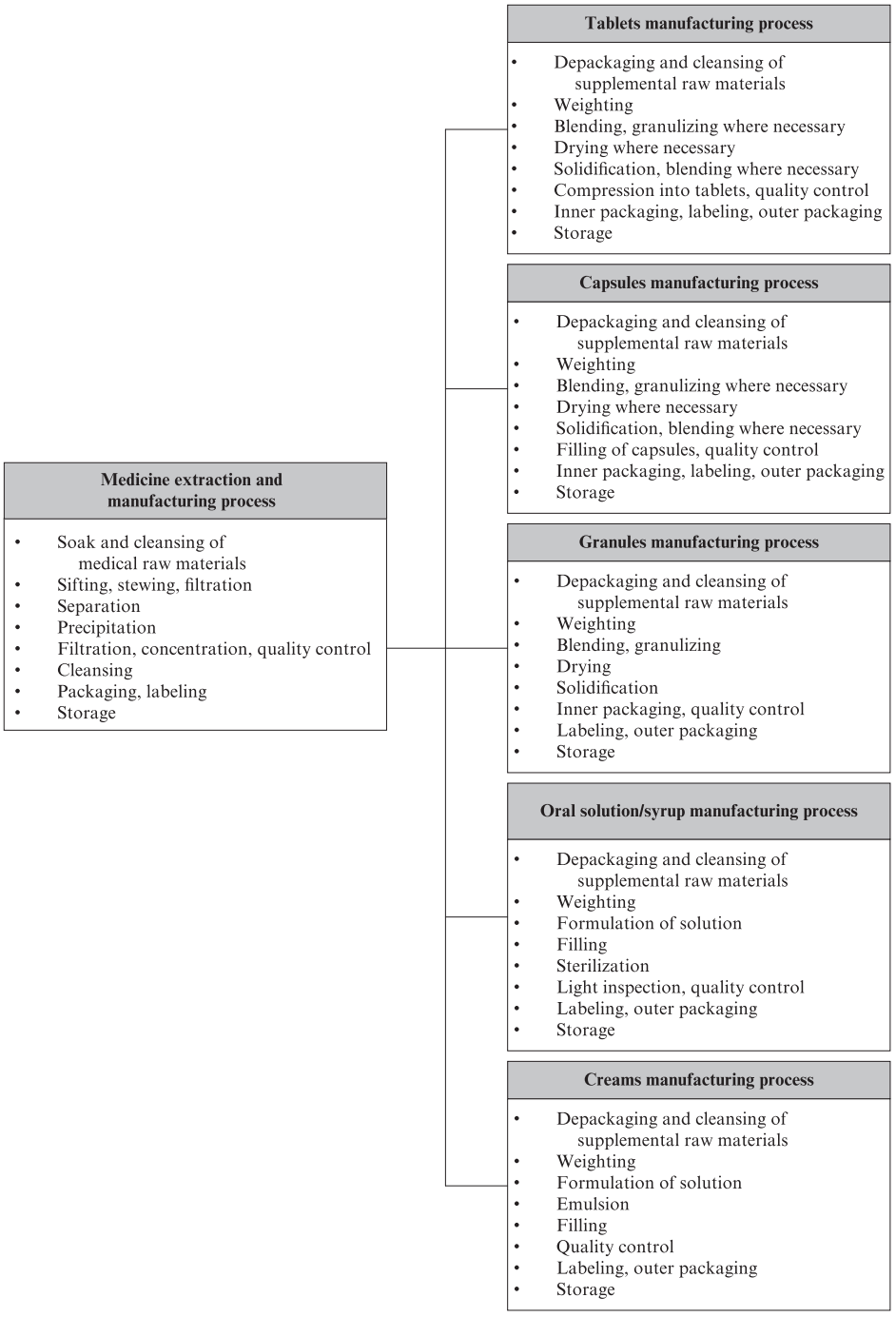
Note: The previous GMP certificates in respect of (a) bulk pharmaceuticals (Total Glucosides of White Peony) and bulk pharmaceuticals (Huperzine A) have been consolidated into the new GMP certificate dated 31 January 2008 currently held by the Group; and (b) cream, bulk pharmaceuticals (Capsaicin) and tablets, capsules, granules, syrup, oral solutions, mixture and oral solutions (including Chinese medicine extracts) have been consolidated into the GMP certificate dated 16 February 2009 currently held by the Group.

GMP certifications can be renewed six months prior to their expiration subject to the review by relevant authority. The conditions for renewal of GMP certification are the same as those applicable upon grant. When applying for renewal, the applicant must satisfy the same documentary requirements and pass reviews on various aspects of operations by the SFDA applicable upon grant of GMP certification. Our current GMP certificates for the drugs and plant extracts set out above will not expire until 15 February 2014 and 30 January 2013 respectively. In addition, we currently hold a pharmaceutical manufacturing licence which will not expire until 31 December 2010. The pharmaceutical manufacturing licence can be renewed six months prior to expiration for a term of five years subject to the review by relevant authority. There have been no changes to the conditions based on which we obtained our GMP certification and pharmaceutical manufacturing licence, and we have complied with the regulatory requirements to maintain the relevant certifications and licence. We intend to arrange for renewal of relevant certifications and licence prior to their expiration to ensure continuity in keeping valid certifications and licence required for our operation in China. In addition, we do not anticipate any regulatory changes with respect to the renewal of GMP certification and the pharmaceutical manufacturing licence. Based on the above, the Directors believe that there will be no legal impediment in renewing our GMP certification or our pharmaceutical manufacturing licence upon their expiration.

The Directors confirm that we are in compliance with relevant requirements to register and manufacture and sell all of our products. We expect to increase the existing production volume to meet the expected growth in the sales of products, and believe we have sufficient production capacity and scale to meet near-term demand of our products. We plan to continue to increase the level of vertical integration in an effort to minimize costs, and drive efficiency and profitability. As at 31 December 2009, we had a total of approximately 345 staff in Ningbo Liwah and Liwah Zhiti.

Production Process

The following diagram summarizes the key steps of our production processes, from extraction of ingredients from some of the raw materials to the production of our pharmaceuticals which we manufacture in tablet, granule, capsule, oral solution and syrup forms.



The production cycle from the procurement of raw materials to packaging and labeling before our finished products enter our warehouse varies among different products but is typically between 15 and 30 days.

Quality Control

In order to ensure that the quality of our products is continually improved, our marketing, production, and research and development departments work closely together to respond to customer feedback and market developments. We have internal policy and guidelines on quality control of production and distribution of our products that covers, including but not limited to, the design and construction of manufacturing plant, on management of manufacturing equipment and facilities, employee training management of production process, procurement of raw materials and packaging materials, quality check of raw materials, semi-finished products and finished products, monitoring of adverse drug reactions, and verification of documentation to comply with GMP standards and requirements.

We have in place various measures to monitor the quality of our raw material suppliers, our production process and supply of our self-manufactured products in accordance with the GMP and GSP standards and requirements. We select our raw material suppliers based on a variety of criteria, such as their production capacity, quality control processes, whether the production facilities has GMP certification and reputation in the pharmaceutical industry. In addition to the above basic requirements in accordance with GMP requirements, we also arrange for on-site quality re-assessment of our suppliers with good track record at least annually for our core raw material suppliers. All batches of raw materials purchased by the Group are randomly inspected in accordance with our internal procedure, including inspection of the packaging, outlook, expiry date and labeling of the products in accordance with the GMP requirements. Our manufacturing processes are also closely monitored by our quality control team who inspects the conditions of the production site, production facilities and incoming raw materials before production, examine the production process and review production records regularly. Before we deliver our products to our customers, our quality control team will inspect all relevant production, raw material supply and quality assessment records to ensure such products are in line with our internal as well as national standards.

With respect to the products supplied under agency distribution agreements entered into by us, we have established procedures to monitor the products quality in accordance with the GSP standards and requirements. The expiry date of the current GSP certification held by Shenzhen Lansen is 18 January 2014 and the expiry date of the current GSP certification held by Ningbo Lansen is 15 April 2015. We select suppliers based on a variety of criteria, such as their production capacity, quality control processes, whether the production facilities has GMP certification and reputation in the pharmaceutical industry. We have also entered into quality guarantee agreement with our suppliers pursuant to which our suppliers will be responsible for defective products provided to us after delivery (except for poor handling of products by us) and are required to provide us with a copy of their pharmaceutical manufacturing licence, medicine registration approval, product manuals, GMP certificate and product qualification certificate. In addition, apart from

conducting our own quality check in accordance with GSP requirements, we also request our suppliers to provide us with their in-house quality report and may request quality report prepared by recognized independent laboratory at provincial or municipal levels on their products before delivery to ensure that their products are in compliance with the required quality standard. Upon the delivery of products to us, they are subject to our quality control inspection before they are accepted. Non-conforming products will be returned to suppliers and qualified products will be transferred to warehouse for storage pending sale to our customers. Products that fail in our inspection will be separately stored in our warehouse until they are returned or destroyed. We closely monitor the storage conditions of these products and will re-examine the packaging and the expiry date of these products before we deliver them to our customers.

Our PRC legal advisor has confirmed that, we are selling all of our products in compliance with the GSP standards as required by the PRC laws and regulations.

As at the Latest Practicable Date, there are about 15 employees in our quality control department. Our quality control personnel comprise four Chinese medicine pharmacists, pharmacists and other related personnel. All of them obtained pharmaceutical or chemical related professional diploma or above, or quality control qualification certificates from the provincial government in Zhejiang Province or higher qualification thereof. In addition, all of our quality control personnel had prior work experience in quality control in the pharmaceutical industry. We provide internal training to familiarize our quality control personnel with professional and legal knowledge in the pharmaceutical industry.

In acting as the sales agent for pharmaceuticals in accordance with the GSP requirements, the manufacturer is required to provide qualified report on whether the products to be sold have conformed with applicable SFDA standards. During the Track Record Period, no unqualified report on Tuoshu was received. In September 2008, the SFDA issued a notice stating that they have examined samples of Leflunomide (being a raw material for one of our principal products, Tuoshu) manufactured by our supplier of Tuoshu and discovered that two of the batches have not conformed with the SFDA standards. As a result, the above samples have been confiscated by the SFDA and the manufacturer has been ordered to pay a fine of approximately RMB116,800 (equivalent to approximately USD17,111). Following this incident, we have taken the incident seriously and have implemented measures to ensure quality standard of the products supplied to us, by requiring the manufacturer of Tuoshu to deliver to us a quality report prior to our sales, in relation to every batch of products supplied to us by the manufacturer of Tuoshu, apart from conducting our own quality check including inspection of the packaging, outlook, expiry date and labelling of the products in accordance with the GSP requirements we also conduct a regular review and update on any news about any unqualified report on the raw materials used in producing the products under our agency distribution agreements and request such manufacturer to supply us with their in-house quality report and quality report issued by an independent recognized laboratory at provincial or municipal levels confirming that the quality of the product Tuoshu and the raw material Leflunomide used in the manufacture of such product have conformed with applicable SFDA standards. The Directors confirm that there is no quality issue of Tuoshu or its raw material Leflunomide arise since September 2008.

We considered that our quality control measures for raw material supplies are above the required GMP and GSP standards and we have sufficient quality control measures for our raw materials supplies.

According to the product sales agreements entered into between us and the customers, we generally do not accept return of our products unless (a) the products do not conform with the quality standard or the order; or (b) the unsold products of the customers are returned within a period of three months from delivery, subject to the maximum amount of 5% of the aggregate sales for the relevant period.

As at the Latest Practicable Date, we have not had any material sales returns and have not experienced any product liability or other legal claims due to problems with the quality of our pharmaceutical products. We believe that this is primarily attributable to our stringent quality control procedures. The Directors confirm that our quality control measures comply with the requirements under PRC law.

Production Capacity

The following table summarizes the annual production capacities and utilization rates for each of our production lines:

	Year ended 31 December								
	2007			2008			2009		
	Annual Production Capacity	Annual Production	Utilization Rate (%)	Annual Production Capacity	Annual Production	Utilization Rate (%)	Annual Production Capacity	Annual Production	Utilization Rate (%)
Solid dosage form									
Tablet	480 million tablets	112 million tablets	23	480 million tablets	216 million tablets	45	480 million tablets	163.2 million tablets	34
Capsule	380 million capsules	85.5 million capsules	23	380 million capsules	117.8 million capsules	31	380 million capsules	161.5 million capsules	43
Granule	50 million bags	20.25 million bags	41	50 million bags	21.75 million bags	44	50 million bags	20.75 million bags	42
Liquid form									
Oral solution	21.12 million bottles	2.2176 million bottles	11	21.12 million bottles	2.69 million bottles	13	21.12 million bottles	4.752 million bottles	23
Syrup	2,640 tons	277.2 tons	11	2,640 tons	277.2 tons	11	2,640 tons	409.2 tons	16
Cream	1.6 million bottles	0.656 million bottles	41	1.6 million bottles	0.54 million bottles	34	1.6 million bottles	0.672 million bottles	42
Raw materials/bulk pharmaceuticals									
Glucosides of White Peony	N/A		N/A	30 tons	29.4 tons	98	40 tons	44 tons	110
Capsaicin	N/A		N/A	20 kilograms	9.8 kilograms	49	20 kilograms	5 kilograms	25
Huperzine A	N/A		N/A	2,000 grams	60 grams	3	2,000 grams	180 grams	9
Modern Chinese Medicine	N/A		N/A	110 tons	25.1 tons	23	180 tons	165.6 tons	92

Notes:

(1) The above annual production capacity figures are calculated by multiplying the hourly production capacity for each production line with the maximum possible operating hours of such production line each year (taking into account the average maximum number of operating hours of machineries and the maximum working hours of our labour), we

assume that the production lines for raw materials/bulk pharmaceuticals can be utilized 12 months a year, 22 days a month and 15 hours a day; while production lines for solid dosage form, liquid form and cream can be utilized 12 months a year, 22 days a month and 13 hours a day).

(2) Utilization rates are calculated by dividing annual production capacity over the actual production volume.

(3) Data set out in the table above is based on our internal production records.

(4) Except for the production line in respect of Capsule which comprises the production lines for Pafulin (Total Glucosides of White Peony Capsules) and the production line of raw material/bulk (Total Glucosides of White Peony) which relate to the Core Business, the remaining production lines relate to Other Pharmaceutical business of the Group.

(5) The production lines for raw materials, which are situated at Liwah Zhiti manufacturing facilities, have only commenced production in 2008. Due to relocation of the manufacturing facilities, the production of raw materials and bulk pharmaceuticals for the year 2007 were arranged by a processing agent (which is an Independent Third Party) engaged by Ningbo Liwah.

Generally, the utilization rates of most of the Group's production lines exhibit an increasing trend during the Track Record Period. However, the decrease in the utilization rates for the production capacity of generic pharmaceuticals products in tablet, granule form and bulk pharmaceuticals of Capsaicin during the year ended 31 December 2009 was attributable to the decrease in demand of the relevant products in these dosage forms and changes in the Group's products portfolio, and the low utilisation rate of production facilities of tablet, oral solution, syrup, cream, Capsaicin and Huperzine A was because we are currently operating with one shift of working hours in these production lines of 6.5 hours a day while the maximum possible operating hours is 13 hours a day. It is our intention to leave sufficient production capacity for Core Business to meet the Group's business needs in the future.

Raw Materials and Suppliers

We source the raw materials for all of the products which we manufacture in China. The following sets forth the principal raw materials used for the production of our products:

- **White Peony Root (白芍)** — ease pain and relieve spasm, and protect the liver.
- **Borax (硼砂)** — antiseptic and disinfective.
- **Glycerin alkyl Phosphate Esters (甘油磷酸鐵)** — principal raw materials for Multivitamin Iron Oral Solution.
- **Caffeine (咖啡因)** — raw material for Concentrated Divitamins and Sodium Phosphate Syrup.
- **Bulbus Fritillariae Cirrhosae (川貝母)** — to soothe cough.
- **Ginkgo (銀杏葉)** — to enhance blood flow and has analgesic effect; it's used to treat heart disease, angina and elevated level of blood fats.

- **Glycyrrhiza (甘草)** — to soothe cough and pain.
- **Green Tea capsule (綠茶膠囊)** — to reduce the risk of cardiovascular disease and cancer as well as beneficially impact bone density, cognitive function, dental cavities, and kidney stones.
- **Huperzine A (石杉鹼甲)** — memory enhancement.
- **Flos Lonicera Japonica (金銀花)** — it is used to treat fevers and influenza.
- **Notoginseng (三七/田七)** — to treat disorders related to blood or blood flow.
- **Salviae Miltiorrhizae (丹參)** — to enhance blood flow and treat angina.
- **Semen Ziziphi Spinosae (酸棗仁)** — to improve quality of sleep and the overall mental wellness.

We purchase our raw materials for our rheumatic specialty prescription western pharmaceuticals and Other Pharmaceuticals from multiple medical raw materials suppliers nationwide. Our major raw material is white peony root which is procured from various raw materials suppliers. We are not dependent on one major supplier. We typically have a credit period of 90 days to pay our raw material suppliers and the transportation costs are borne by our raw material suppliers.

For the three years ended 31 December 2007, 2008 and 2009, purchases of raw materials for our pharmaceutical products from our top five raw material suppliers amounted to approximately USD2.4 million, USD2.1 million and USD5.3 million respectively, representing approximately 30.6%, 19.3% and 33.2% respectively of our total purchase. During the same periods, purchases of raw materials of our pharmaceutical products from our largest raw materials suppliers amounted to approximately USD0.8 million, USD0.6 million and USD1.7 million respectively.

We generally give our suppliers details of our monthly raw material requirements ten days in advance and arrange for our suppliers to deliver in accordance with the progress of our production. Delivery times are generally between 7 to 14 days following an order being placed, though longer periods are required for the delivery of certain raw materials for our rheumatic specialty prescription western pharmaceuticals.

For the three years ended 31 December 2007, 2008 and 2009, purchases from our top five suppliers amounted to approximately USD2.9 million, USD3.9 million and USD7.3 million respectively, representing approximately 37.3%, 34.8% and 45.5% of our total purchase respectively. All principal products purchased under agency distribution arrangements are all sourced locally in the PRC. Purchases from our largest supplier, represent approximately 10.1%, 11.4% and 14.3% respectively of our total purchase during the same periods.

None of our Directors or any existing shareholders who hold more than 5% of our issued share capital, or their respective associates, had any interest in any of our five largest suppliers in any of the years ended 31 December 2007, 2008 and 2009.

Inventory Management

We maintain stocks of raw materials (including supplemental materials and packaging materials) and finished products. Our warehouses at our Ningbo facilities have a total gross floor area of approximately 3,000 square meters. We carefully monitor our stock of raw materials and finished products. We maintain a database of our inventory levels to enable our production, warehouse and procurement personnel to monitor the changes and inventory levels in a timely manner so as to ensure a suitable level of raw material requirements and finished products stock. We generally keep raw material supply for 50–90 days and depending on the nature of products and distribution of the suppliers, we maintain a different levels of inventory. Inventories are stated at cost calculated using the weighted average method or net realizable value, whichever is lower. We have an inventory provisioning method to value our inventories and write off inventories when they become obsolete or damaged, or when their market value is below their carrying costs. For the three years ended 31 December 2007, 2008 and 2009, our average inventory turnover days are 87, 58 and 66 days respectively.

Packaging Materials

The principal packaging materials used by us include glass bottles and glass ampules for our syrup products, plastic bottles for our oral solution, capsules and packets for our granule products, and external packaging and printed instructions for our pharmaceuticals. We abide by applicable laws and regulations relating to the labeling of our products. We also use packaging materials which satisfy national standards. The Directors believe that we are in compliance with applicable laws and regulations relating to labeling and packaging of pharmaceutical products in China.

COMPETITION

According to the BDCL Report, the market size of DMARDs in the PRC in 2008 was approximately RMB one billion, (equivalent to approximately USD146 million). Pursuant to the BDCL Report, the top ten suppliers of DMARDs in the PRC are all domestic players, which collectively accounted for 66.5% of the DMARDs market in the PRC. In 2008, our Pafulin and Tuoshu accounted for approximately 15.9% and 6.9% of the DMARDs market in the PRC respectively and we have a leading market share with approximately 22.8% of sales of DMARDs in the PRC according to the BDCL Report. In the same year, the second largest product in the DMARDs market accounts for approximately 9.0% of the DMARDs market share in the PRC according to the BDCL Report.

Although the Other Pharmaceuticals business is not the growth focus of the Group and no significant resources will be deployed by us in connection therewith, our Other Pharmaceuticals compete with a number of similar products manufactured and sold by OTC pharmaceutical companies, specialty western pharmaceutical companies and modern Chinese medicine companies in China. Some of these companies have financial resources, marketing capabilities and experience in obtaining regulatory approvals for products, product line acquisitions and market share substantially greater than ours.

INTELLECTUAL PROPERTY RIGHTS

We actively seek legal protection for our products and proprietary information by means of patents, trademarks, trade secrets, contractual arrangements and other legal protection available under the PRC law. See "Regulation — Protection of pharmaceutical products in China."

Patent protection in the pharmaceutical field, however, can involve complex legal and factual issues. Moreover, broad patent protection for new formulations or new methods of use of existing chemical entities is sometimes difficult to obtain, primarily because the active ingredients and many of the formulation techniques have been public for some time already. Consequently, some patents claiming new formulations or new methods of use for old drugs may not provide meaningful protection against competition.

Nevertheless, we intend to seek patent protection whenever appropriate and available and otherwise to rely on trade secret law or contractual arrangements to protect certain of our products and propriety information. There can be no assurance, however, that any steps taken to protect such proprietary information will be effective.

Existing Patents and Patent Applications, Trademarks and Trademark Applications

As at the Latest Practicable Date, we have registered 30 patents in the PRC, four of which are invention patents and the remaining 26 of which are utility model and design patent for packaging and design for our various products. As at the Latest Practicable Date, we have registered 24 trademarks and have been granted licences to use three trademarks in PRC, of which, two are the most recognized nationwide: Lansen and Pafulin. Also, as at the Latest Practicable Date, we have applied for eight invention patents, which are pending approval by the SIPO. For further details, see "Statutory and General Information — Intellectual Property Rights" in Appendix VI to this prospectus.

Under the PRC law, patent applications are subject to a 18 month's publication requirement after filing patent applications, subsequent to which the SIPO will conduct substantive reviews to determine whether patents should be granted. See "Regulation — Protection of pharmaceutical products in China — Protection under patent law — Invention patent." According to our PRC legal advisor, there is no definite timeframe under current regime during which the SIPO must conduct its substantive reviews. Whether a patent certificate will be issued by the SIPO to us depends on the results of the SIPO substantive reviews.

As at the Latest Practicable Date, save as disclosed in "Statutory and General Information — Intellectual Property Rights" in Appendix VI to this prospectus, we have not received any objection to our patent and trademark application since the date of the relevant patent applications.

As at the Latest Practicable Date, there are no pending or threatened intellectual property infringement claims against us. In addition, we have complied with applicable intellectual property laws and regulations in China since our incorporation and have not violated any intellectual property laws and regulations, including laws relating to patent protection in China, in the past. Based on the above, our PRC legal advisor has confirmed that there is no infringement of any third party intellectual property rights by us and to the best of our PRC legal advisor's knowledge, nor is there any outstanding infringement of our intellectual property rights by third parties as at the Latest Practicable Date.

Other Forms of Protection

Under PRC law, the commencement of mass production of a new drug upon issuance of a Certificate of New Medicine for such new drug triggers a monitoring period of five years (such monitoring period varies with different categories of registration), during which the SFDA will not accept registration of the same type of pharmaceutical product by other manufacturers and applications previously filed by other manufacturers which have not been approved to begin clinical trials will be returned.

Upon the expiration of the monitoring period of a Certificate of New Medicine of pharmaceutical product, should any other manufacturing enterprises intend to produce such product, the manufacturing enterprise should apply for certification under the generic drug category prior to the SFDA for registration commencement of production of such product. See "Risk Factors — Risks Relating to the Pharmaceutical Business — the pharmaceutical industry is extremely competitive."

AWARDS AND HONORS

As a result of the quality and strong reputation of our products, our creditworthiness and our contribution to the community, we have been given the following awards, authentication and recognition. The award from the Clinical Research Fund, Rheumatism of China Medical Association indicates our outstanding contribution to the clinical research on rheumatism. The awards from the Ningbo Pharmaceutical Profession Association exemplifies our recognized position in the pharmaceutical industry. The following table sets forth the major awards we recently obtained:

Major award/Authentication/Recognition	Year	Awarding Authority
Outstanding Contribution(突出貢獻獎)	2008	Rheumatism of China Medical Association Clinical Research Fund
Zhejiang Province Best 100 Growing Small and Middle-sized Enterprise (浙江省學習型中小企業一百佳)	2006	Small and Middle- Zhejiang Province sized Enterprises Bureau Small and Middle- Zhejiang Province sized Enterprises Bureau
2006 "Ankang Championship" Winning Enterprise (2006年度「安康杯獎」競賽優勝企業)	2007	Ningbo City Labour Union Ningbo City Safety Administrative Bureau Ningbo City Health Bureau
2007 Ningbo City Top Ten Pharmaceutical Industrial Enterprises (2007年度寧波市醫藥工業十強企業)	2008	Ningbo Pharmaceutical Profession Association
2008 Merit, Ningbo City Scientific Advancement (2008年度寧波市科學技術進步獎一等獎)	2009	Ningbo People's Government

INSURANCE

We carry property insurance in relation to our buildings, production equipment and inventory. However, we do not maintain property insurance in relation to our land. Neither do we carry business interruption insurance or insurance covering environmental damage arising from accidents at our production facilities. In the event of any loss or damage to our production facilities arising from natural disasters or other unexpected events beyond our control, there is no assurance that there will be any insurance coverage or the insurance coverage will be adequate to compensate for such loss, and in which case our business, financial condition and results of operations may be materially adversely affected. See "Risk Factors — Risks Relating to The Group — We may be subject to losses that might not be covered in whole or in part by our insurance coverage".

Products liability insurance for pharmaceutical products is not available in the PRC. Consequently, our products cannot carry any product liability insurance. Although we have not encountered any material product liability claims in the past, there is no assurance that such claims will not arise in the future or our product liability insurance will be sufficient to cover the losses. See "Risk Factors — Risks Relating to The Group — We may incur losses leading to substantial damages resulting from product liability, personal injury or wrongful death claims".

Furthermore, we are exposed to risks common to all pharmaceutical companies in China, including intellectual property infringement claims by third parties against us and liability claims arising from adverse medical events in clinical trials. In the event that we were found to be liable for such claims, we may be liable for payment of substantial damages to the plaintiff or be prohibited from continuing to produce a certain product, and in which case our business, financial condition and results of operations may be materially adversely affected. See "Risk Factors — Risks Relating to The Group — Third parties may intellectual property infringement rights and other forms of protection under PRC law."

PROPERTY

We currently have two manufacturing plants and one office building with land use rights terms expiring during the years 2053 to 2056 in Ningbo, Zhejiang Province to serve as our manufacturing sites for our production, storage, other ancillary facility needs and office premises. These properties occupy approximately 64,000 square meters of land with a total gross floor area of approximately 20,300 square meters. We have obtained land use rights certificates and building ownership certificates for all of the properties on which our manufacturing facilities and office building are situated.

We leased three properties for office and storage use in Shenzhen of which our PRC legal advisor has not been provided with any title documents of the property nor any documents confirming property owner's consent to lease the property for two leased agreements, which have been registered at Shenzhen Longgang District Property Leasing Administration Authority, in relation to the two rental properties for storage purpose which are not crucial to the Group's operation. The Directors confirmed that similar properties are readily available in the area and relocation of the property will not be disruptive to the Group's operations should circumstances arise that the tenancy agreement will have to be terminated and the warehouses will have to be relocated.

Since the two leased properties are for storage purpose and similar properties are readily available in the area and relocation of the property will not be disruptive to the Group's operations should circumstances arise that the tenancy agreement will have to be terminated and the warehouses will have to be relocated, the Directors consider that there is no material impact on the Group operation and consider not appropriate to disclose as a risk factor. Relevant disclosures has been made in paragraph headed "Property" under the section headed "Business" of the prospectus. Details of the properties are set forth in Appendix IV to this prospectus. We have complied with applicable tenancy laws and regulations in China.

LEGAL COMPLIANCE AND PROCEEDINGS

Our PRC legal advisor confirmed that our interest-bearing amounts due from a fellow subsidiary are in compliance with the relevant PRC law and regulations.

Social Insurance

Our subsidiaries in the PRC, are required to make social insurance contribution and/or housing fund contribution for the benefit of their respective employees under the relevant PRC laws and regulations. The policy of the social insurance contribution in different province/city is different and is not interchangeable, for example, generally speaking, medical insurance can only be utilised in the relevant local social insurance bureau where the payment was made. Many employees would choose to pay their own social insurance in places other than Ningbo and Shenzhen. Moreover, according to the relevant PRC laws and regulations, Shenzhen Lansen is not able to pay housing fund contribution to its employees who do not ordinarily reside in Shenzhen. During the Track Record Period from January 2007 to April 2009, we have not made social insurance contribution to the local insurance bureau in Shenzhen for approximately 167, 288 and 186 employees (representing approximately 26.0%, 38.5% and 25.4% of the Group's employee during that period) who do not ordinarily reside in Shenzhen. During the Track Record Period, we have not made social insurance and housing fund contributions to the local social insurance bureau and local housing fund management centre of Ningbo for approximately 77, 20 and 12 employees (representing approximately 12.0%, 2.7% and 1.6% of the Group's employee during that period) who do not ordinarily reside in Ningbo. Instead, agreements were entered into with such employees to the effect that payments were made directly to such employee who have opted to make such payments to the relevant local social insurance bureaus or local housing fund management centre outside of Shenzhen or Ningbo by themselves. Since May 2009, we have engaged a human resources consultant company to administer the making of the social insurance contributions with the relevant local social insurance bureau outside of Shenzhen at the choice of the employees of Shenzhen Lansen on behalf of Shenzhen Lansen. Since March 2010, we have made direct payment of the social insurance contributions to the Ningbo insurance bureau for all of the employees in Ningbo.

As at the Latest Practicable Date, we have not received any notice from the social insurance bureau and local housing fund management centre regarding any non-compliance with the social insurance contribution regulation. Assuming that all of our existing employees who have opted to make social insurance by themselves for the relevant period did not make the contributions themselves, we may be liable for the outstanding amounts of social insurance contributions in relation to such employees. As at the Latest Practicable Date, we have not received notice from relevant authorities demanding for the relevant outstanding payment. However, in the event that we fail to pay any outstanding contribution pursuant to any notice issued by the social insurance bureau, we could be ordered to make the outstanding contributions and be subject to penalties for late payment. If the Group did not pay the relevant social insurance contributions within the prescribed time limits required by the relevant authorities, the maximum possible penalties would be calculated at 0.1% (in case of housing fund) or 0.2% (in case of social insurance) per day of the outstanding amount. If we continue to fail to make contributions, we may be found

liable to pay medical expenses and other compensation for personal injuries. Since we have not received any notice issued by the social insurance bureau, we are not being held liable for any late payment of social insurance and housing fund contributions as at the Latest Practicable Date. The Group have made provisions in the amount of approximately RMB3.3 million (equivalent USD0.5 million) as at 31 December 2009, which has been included in trade and other payables balance of approximately USD12,981,000 as at 31 December 2009, for the maximum potential underpayment of social insurance and housing fund premiums. The Directors consider that the amount of provision is sufficient and adequate.

Our PRC legal advisor concurs with the Directors's view that the Group is in compliance with the social insurance contribution regulation after April 2009 (for employees in Shenzhen) and March 2010 (for employees in Ningbo) and no penalty will be imposed on the Group for the delay in payment of social insurance contributions in the absence of a demand notice for outstanding payment from relevant authorities. Going forward, the Group has broaden the work scope of our human resources officers to monitor and arrange for social insurance and housing fund contributions for all our employees either by making direct payment to the social insurance bureau by the Group or through the relevant human resource consultant engaged by the Group.

We are not currently involved in any litigation or legal proceedings which could be expected to have a material adverse effect on our business or operations.

COMPLIANCE WITH THE CATALOGUES

None of our products belong to the restricted or the prohibited category under the *Foreign Investment Catalogue*. Therefore, we are not subject to any restriction or prohibition in manufacturing our products under such *Catalogue*.

None of our products belong to the restricted or the eliminated category under the *Industry Restructuring Catalogue*. Therefore, the products we produce belong to either the permitted or the encouraged category. Since the products we produce belong to the permitted or the encouraged category, our manufacturing activities are in compliance with the *Industry Restructuring Catalogue*.

PRODUCTION SAFETY AND ENVIRONMENTAL PROTECTION

We emphasize on production safety and environmental protection and therefore exert our best efforts to comply with applicable protection safety and environmental protection laws and regulations, including GMP standards and requirements in relation to environmental protection. We also have internal guidelines and rules governing environmental protection management, environmental impact studies, occupational health and safety standards, as well as the treatment and discharge of solid wastes and sewage.

Given the nature of our business, we generate solid wastes, sewage, exhaust fumes, and noise during our production process. We implemented a comprehensive set of environmental protection measures to treat solid wastes, waste water, exhaust fumes and noise during our production process to minimize impact on the environment and to prevent industrial pollution.

We also emphasize on reduction of wastage and pollution when we design, repair and maintain our existing and planned environmental protection equipment and facilities. We engage professional environmental protection equipment providers to provide repair services for our environmental protection equipment and facilities. The equipment and facilities after repair are subject to periodic assessment by local environmental protection authorities. We also have personnel dedicated to maintenance of our equipment and facilities, including environmental protection equipment and facilities to prolong the useful lives.

We manage the risks associated with environmental liabilities by ensuring our compliance with applicable environmental protection laws and regulations in China. In particular, our plans to manage such risks include: (i) strict monitoring of construction projects in accordance with environmental impact study report; (ii) utilization of modern equipment, technology and measures to minimize environmental pollution; (iii) selection of products that create less environmental pollution for manufacturing; and (iv) monitoring and management of environmental protection compliance.

We have complied with the relevant production safety and environmental protection laws or regulations in the past and our production facilities comply with laws and regulations applicable to pharmaceutical manufacturers in China, including GMP and GSP certification requirements and requirements governing the construction and expansion of our manufacturing plants and facilities.

Our PRC legal advisor has confirmed that we have obtained all permits and licences required under applicable environmental laws and regulations in China and that we have fully complied with applicable environmental, occupational health and safety laws and regulations. In addition, we have not previously been penalized for any violation of applicable environmental laws or regulations since our incorporation. Our direct cost in relation to environmental protection were approximately USD10,000, USD35,000 and USD98,000 in 2007, 2008 and 2009 respectively. On the assumption that there will not be material change environmental protection rules and policies, it is expected that the annual cost of compliance of environmental protection rules and regulations going forward will be approximately USD103,000.

MONITORING OF ADVERSE DRUG REACTIONS

A management system for the monitoring of adverse drug reactions is in place, whereby dedicated personnel from the quality control department is responsible for information collection and reporting in respect of adverse drug reactions of all products as well as regular reporting to the drug supervision and management department. The scope of monitoring of adverse drug reactions primarily includes: the reporting of all suspected adverse drug reactions arising from pharmaceuticals launched by us for less than five years

and pharmaceuticals primarily under state supervision; and the reporting of serious, rare or new adverse drug reactions arising from pharmaceuticals launched by us for more than five years.

Our quality control personnel take detailed records regarding the pharmaceutical product identified to have caused adverse reactions, its product name, specification, lot number, time of occurrence and the details of the patient.

If adverse drug reactions were found to be caused by a drug manufactured by us, we will report such reactions to the SFDA if such reactions fall outside the scope of adverse drug reactions known and prescribed in the directions. If the adverse drug reactions fall within the scope of adverse drug reactions known and prescribed in the directions, our quality control personnel will provide dosage instructions to the patients and the medical institutions. If no conclusion can be reached as to whether a reaction falls outside or within the scope of adverse drug reactions prescribed in the directions, we will request our production team to conduct further analysis and consult professionals at the SFDA or other medical institutions when necessary.

All of our investigations into adverse drug reactions are reported to the Adverse Drug Reaction Monitoring Center of the SFDA.

BACKGROUND

As at the Latest Practicable Date, CIH indirectly owned our entire issued share capital. CIH is a company listed on the London Stock Exchange and is our Controlling Shareholder. As at the Latest Practicable Date, CIH was held as to approximately 60.99% by Cathay International Enterprises Limited (a company owned by a trust of which Mr. Wu Zhen Tao and his family are beneficiaries, Mr. Wu Zhen Tao is an executive director of CIH and has over 20 years of experience in private and direct investment in China), approximately 0.52% by Mr. Sum Soon Lim, approximately 0.52% by Mr. Toong Kenneth Ken Kwok and approximately 0.14% by Mr. Lee Jin Yi (Mr. Wu Zhen Tao, Mr. Sum Soon Lim, Mr. Toong Kenneth Ken Kwok and Mr. Lee Jin Yi are all directors of CIH. Mr Lee Jin Yi is also a non-executive Director of the Company), approximately 6.14% was held by Simon Phillips and approximately 6.17% by AlphaGen Volantis Fund Limited (both are independent third parties) and the remaining approximately 25.52% were held by the public. Immediately following the Share Offer, CIH will indirectly own and control approximately 52.46% of our issued share capital (assuming that the Over-allotment Option is not exercised), and hence, will remain as our Controlling Shareholder.

Background of CIH

CIH is principally engaged in the investment of companies in hotel, production, marketing and distribution of pharmaceutical products, production and sale of health care products and its ingredients, research and development of injectable fillderm collagen implant for cosmetic dermal applications and releasing method of drugs including oral fast release form, sustained release form and the product of misoprostol. The primary reason for the spin-off and the proposed listing is to cope with the business growth and development of the Group.

CIH, a company listed on the London Stock Exchange, is subject to interim/annual and interim management statement reporting requirements under the listing rules of the Financial Services Authority acting in its capacity as the United Kingdom Listing Authority ("**UKLA**"). To ensure fair and equal treatment of all shareholders in compliance with Rule 2.03(4) of the Listing Rules, any material information provided to CIH for disclosure purpose in London will be made simultaneously in Hong Kong by way of announcement in accordance with Rule 13.09(2) of the Listing Rules after Listing. Appropriate announcement will also be made by our Company in respect of any price-sensitive information in accordance with Rule 13.09(1) of the Listing Rules. The Listing is subject to approvals including (i) the approval of the UKLA to the issuance of a circular to the shareholders of CIH explaining the reasons for and terms of the Listing; and (ii) the approval of the CIH shareholders at a special general meeting of CIH held on 19 April 2010 ("**CIH SGM**"). No approval from the London Stock Exchange for the Listing is required. As at the Latest Practicable Date, (i) the UKLA has approved the circular and the circular was issued to the shareholders of CIH on 1 April 2010; and (ii) the resolution to proceed with the Listing was approved by the shareholders of CIH at the CIH SGM.

Upon Listing, our Company will operate independently from CIH in all essential respects.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

Independence of management

Our Board consists of ten Directors. Set out below is a table summarising the positions held by the Directors and senior management of the Company at CIH and at CIH's subsidiaries other than the Group as at the Latest Practicable Date:

Name of Directors/Senior Management	Position with CIH	Position with CIH's subsidiaries (Other than the Group)
Executive Directors		
Mr. XU Jun *(Chief executive officer)*	None	None
Mr. LIU Xiao Dong *(Senior vice president)*	None	None
Non-executive Directors		
Mr. Stephen Burnau HUNT *(Chairman)*	Executive director *(Deputy chairman)*	Director *(non-executive)*
Mr. LEE Jin Yi	Executive director *(Chief executive officer)*	None
Mr. TANG Jun	Vice-president and head of business development	Director *(non-executive)*
Ms. TAO Fang Fang	None	Financial controller, Director *(non-executive)*
Ms. YIP Pui Ling, Rebecca	Company secretary, vice-president and head of asset management	Director *(non-executive)*
Independent non-executive Directors		
Mr. Robert Peter THIAN *(Deputy chairman)*	None	None
Mr. CHAN Kee Huen, Michael	None	None
Mr. TANG Chiu Ping, Raymond	None	None
Senior Management		
Mr. CHAN Sheung Chi *(Chief financial officer)*	None	None
Mr. XIE Hong Wei	None	None
Ms. POON Lei Yung	None	None
Mr. LIANG Yi	None	None
Mr. ZHOU Rong	None	None
Mr. ZHANG Xin Ming	None	None

Certain Directors hold concurrent directorships and senior management positions in the CIH Group. All these Directors are appointed to the Board to represent the shareholding interest of CIH. They will not be involved in daily operations of our Group. Notwithstanding the concurrent positions, the Directors believe that they are able to perform their roles in our Company independently and our Group will be capable of managing its business independently of CIH after the Share Offer for the following reasons:

(1) The independence of the Directors who also serve in CIH will not be affected by their concurrent positions since the business of the Company will be managed by the Board as a whole, including the independent non-executive Directors, and not by the CIH Group.

(2) The decision-making mechanism of the Board set out in the Articles also includes provisions to avoid conflicts of interest by providing, among other things, that (i) each Director is entitled to one vote at Board meetings and decisions of the Board are passed by a majority of votes; and (ii) in the event of any conflict of interests, such as where it involves the passing of resolutions in relation to transactions where any Director is materially interested, the relevant Director will abstain from voting and will not be counted in the quorum.

(3) Neither CIH nor any of the Directors has any interest in any business, apart from the businesses of our Group, which competes or is likely to compete, either directly or indirectly, with the businesses of our Group.

On the basis of the foregoing, the Directors believe that the Board as a whole, together with the senior management of our Group, is able to manage our Group independently.

Independence of business operations

We hold all of the production and operating facilities and technology relating to our business operations. Sales, marketing and administrative functions relating to our business are carried out independently by our Group. We have sufficient operational capacity in terms of capital, equipment and employees to operate our businesses independently from our Controlling Shareholder.

Financial independence

The Directors are of the view that the Directors and senior management are able to maintain financial independence from our Controlling Shareholder and its associates.

Our Company has historically had, and will following completion of the Share Offer, continue to have, its own internal control and accounting systems, its own finance department responsible for discharging the treasury function for cash and receipts and payments, accounting, reporting and internal control functions independent from our Controlling Shareholder.

As at the Latest Practicable Date, the Group has no outstanding loans owed to and from, and no outstanding guarantees to and from, our Controlling Shareholder and its associates.

In light of the above, the Directors are of the view that the Directors and senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholder and its associates.

NON-COMPETITION

The Directors are of the view that there is generally no competition between our business and the other businesses of the CIH Group. CIH Group, apart from the Group, is not engaged in the Core Business and the Other Pharmaceuticals Business. CIP is the investment holding company within the CIH Group which invests in pharmaceutical businesses. CIH and CIH's subsidiaries will only invest in a Business Opportunity (as defined below) through CIP from time to time. CIP will not compete in the Core Business, which is the business focus of the Group. However, the CIH Group, in the interest of its shareholders, should not be denied the opportunity to invest in areas which the Group is not seeking to expand or decline to invest. Hence, CIP will continue to invest in pharmaceutical companies (other than the Group) that may compete with the Other Pharmaceuticals Business, which is not the main focus of the Group. As at the Latest Practicable Date, CIP did not identify any acquisition target relating to the Other Pharmaceuticals Business.

Our Core Business

Our Core Business is the development, production and sale of specialty prescription western pharmaceuticals for the treatment of autoimmune rheumatic diseases in the PRC. Our focus in the future is to increase sales and market share of our core products in rheumatology while continuing on the development of products for treatment of rheumatic diseases, and sustain high growth. It is our intention to focus on the Core Business and to maintain the Other Pharmaceuticals Business at its current scale in order to focus resources in the rapid growing rheumatology market in which we can leverage on our established reputation and brand recognition in line with our development strategies. As far as Other Pharmaceuticals Business is concerned, despite its apparent size during the Track Record Period due to the then business operating environment, its business weighting in the Group is expected to reduce gradually when the Group's Core Business grows, as the Group considers that gross margin of Other Pharmaceuticals Business is less than that of the Core Business and it is commercially sensible for the Group to align its strength and experience in Core Business in its business strategy and development in the future.

No further resources will be allocated by the Group towards expanding the Other Pharmaceutical Business. For the three years ended 31 December 2007, 2008 and 2009, our Core Business revenue were approximately USD16.3 million, USD26.6 million and USD33.1 million respectively, representing a CAGR approximately of 42.7%, accounting for approximately 67.3%, 71.7% and 69.1% of our total revenue respectively.

Delineation of Business

The Directors are of the view that the businesses of our Group are fundamentally different from the other businesses of the CIH Group and thus do not pose any direct or indirect, actual or potential competition with our Group's business for the following reasons:

- Core Business of our Group is the development, production and sale of rheumatic specialty prescription western pharmaceuticals in the PRC. The CIH Group is not engaged in the sale of any of these products other than through our Group. The other businesses of the CIH Group currently include the manufacturing and sale of key ingredient for healthcare products and hotel investment;

- our Group's product development and research focus is on developing new commercially viable products with a focus on rheumatic specialty prescription western pharmaceuticals and increasing efficiency and effective production of our existing products. The product development and research focus of the other businesses of the CIH Group are on the commercialization of injectable fillderm collagen implant for cosmetic dermal application releasing method of drugs including oral fast release form, sustained release form and the product of misoprostol which are entirely different from our Group;

- the future development and strategic focus of our Group is in rheumatic specialty prescription western pharmaceuticals and CIP and its subsidiaries will undertake not to compete with our Group on the terms as set out in the section headed "Deed of Non-Compete Undertakings" below;

- our Group's direct customers are primarily distributor customers who would then sell the prescription pharmaceutical products to hospitals and medical institutions in the PRC, and in the case of OTC pharmaceuticals, either through distributor customers or directly to pharmacies and other retail outlets in the PRC, whereas customers of the CIH Group are (i) for key ingredients of healthcare products, manufacturers of healthcare products and trading companies who distribute such key ingredients to healthcare product manufacturers; (ii) for injectable fillderm collagen implant; the targeted potential customers in future will be top tier clinics or hospital specialized in dermal applications in the PRC; (iii) for the application of oral fast drug delivery method and misoprostol product, pharmaceutical manufacturers in the PRC (which may include the Group); and (iv) for the hotel business, primarily international and domestic corporate travelers and corporates in the PRC. Accordingly, there is no overlap of customers between the Group and other parts of the CIH Group;

- our Group's suppliers are medicinal herbs and materials suppliers whereas suppliers and potential suppliers of the other businesses of the CIH Group are primarily corn starch factories (for inositol), bilberry suppliers (for bilberry extracts), slaughterhouses and syringes providers (for injectable fillderm collagen

implant), and amenities and food and beverage and cooking ingredient suppliers (for hotel). Accordingly, there is no overlap of suppliers between our Group and other parts of the CIH Group; and

- Other than our Group, CIH Group currently does not produce modern Chinese medicine extracts and OTC pharmaceuticals. Going forward, CIH Group will continue to invest in pharmaceutical (except as provided under the Deed of Non-Compete Undertakings described below), healthcare, hotel operation companies or other businesses which CIH sees viable or has potential return to its shareholders.

Deed of Non-Compete Undertakings

CIP, the investment holding company within the CIH Group, that invests in pharmaceutical companies, will enter into the Deed of Non-Compete Undertakings with our Company, pursuant to which CIP will undertake that CIP and CIP's subsidiaries (other than our Group) will not own or invest directly or indirectly in more than 50% shareholding in any company or 30% or more shareholding in any company listed on an internationally recognised stock exchange, in which 50% or more of their revenue is derived from the Core Business at the time of the acquisition or investment, unless our Group has declined to take up such Business Opportunity (as defined below) in the circumstances as described below. CIH will issue a confirmation that CIH and its subsidiaries will only invest in Business Opportunity (as defined below) through CIP from time to time. CIH considers that if it, instead of CIP, were to give the non-compete undertaking to the Company, being a listed company on the London Stock Exchange, the independent non-executive directors of CIH would have requested for reciprocal undertaking arrangement by the Company which our Company will undertake to focus on its Core Business and not to compete with CIH in any other pharmaceutical business. This would involve additional time, costs and works and do not give more protection to the Group than that achieved with the non-compete undertakings from CIP. This non-compete undertakings arrangement has been disclosed in the circular issued to the shareholders of CIH on 1 April 2010.

CIP will also undertake in the Deed of Non-Compete Undertakings that during the term of the Deed of Non-Compete Undertakings if CIP and/or its subsidiaries (other than our Group) 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 the Group) shall first refer the Business Opportunity to our Company in writing upon becoming aware of it.

Any decision on whether to take up the Business Opportunity shall be decided by the independent non-executive Directors. CIH or any of its subsidiaries (other than the Company) may only take up the Business Opportunity after our Company has issued a written confirmation signed by the independent non-executive Directors confirming that our Company has decided not to take up the Business Opportunity within 30 days upon receipt of the Business Opportunity in writing. The 30 day decision period can be extended to a date mutually agreed between our Company and CIP if the independent non-executive

Directors require further information in order to make an informed decision. The independent non-executive Directors may, at the cost of our Company, appoint any professional adviser as they consider necessary to advise them on the terms of any such business opportunity.

In considering to take up the Business Opportunity in accordance with the Deed of Non-Compete Undertakings, the independent non-executive Directors will take into account the followings:

(i) whether the relevant business of our Company in relation to the Business Opportunity has attained a considerable size;

(ii) whether the Business Opportunity will enhance our Company's profitability and competitive advantages in the Core Business;

(iii) whether the Business Opportunity will attain profit within a reasonable period;

(iv) whether the Business Opportunity will be in line with the strategic development of our Company from time to time;

(v) whether our Company's funding capability and/or capital expenditure projections would allow the taking up of the Business Opportunity by our Group; and

(vi) whether Shareholders' value will be maximized by taking up the Business Opportunity.

The independent non-executive Directors should review, at least on an annual basis, the compliance by CIP with the Deed of Non-Compete Undertakings. CIP further undertakes with our 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 Deed of Non-Compete Undertakings.

We shall disclose the independent non-executive Directors' decision (with basis) to pursue or decline any opportunity to engage in the Business Opportunity referred by CIP, the review by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-Compete Undertakings and the compliance by CIH with its confirmation that CIH and CIH's subsidiaries will only invest in the Business Opportunity through CIP from time to time either through the annual report or by way of an announcement to the public. CIP shall make an annual declaration on its compliance with the terms of the Deed of Non-Compete Undertakings in the annual report of our Company and such disclosure shall be consistent with the principles of making voluntary disclosures in the "Corporate Governance Report" under the Listing Rules.

The Deed of Non-Compete Undertakings shall continue to be effective while the Shares are listed on the Stock Exchange and while CIP remains as our controlling shareholder (as defined in the Listing Rules).

The purpose for the Deed of Non-Compete Undertakings entered into between CIP and our Company is that CIH is a listed company on the London Stock Exchange and it also has to protect the interest of its shareholders. CIP is the designated investment holding company in pharmaceutical business within the CIH Group and is thus considered the appropriate entity to enter into the Deed of Non-Compete Undertakings. The CIH Group, in the interest of its shareholders, should not be denied the opportunity to invest in areas which the Group is not seeking to expand or decline to invest. This undertaking arrangement has been disclosed in the circular issued to the shareholders of CIH on 1 April 2010.

The Directors and the Sole Sponsor consider that the entering into of the Deed of Non-Compete Undertakings by CIP are sufficient and effective means to protect interests of our Company from the perspective of potential competition from CIP and its subsidiaries (other than the Group) for the following reasons:

- the Core Business accounts for approximately 67.3%, 71.7% and 69.1% of the total revenue of the Group for the three years ended 31 December 2007, 2008 and 2009 respectively. During the same period, our gross margin for our Core Business were approximately 79.9%, 79.3% and 79.3% respectively;

- the Deed of Non-Compete Undertakings protects our Group from the potential competition of its Core Business with the CIH Group;

- the decision to decline any Business Opportunity lies with independent non-executive Directors and will not be influenced by the CIH Group; and

- the Other Pharmaceuticals business is not the growth focus of our Group and no further resources will be allocated by our Group towards expanding the Other Pharmaceuticals business including the modern Chinese medicine extracts and OTC pharmaceuticals. It is the intention of our Group to maintain its Other Pharmaceutical business at its current scale.

CIH is a company listed on the London Stock Exchange. CIH will observe and honor the confirmation it has given to CIP; i.e. CIH and CIH's subsidiaries will only invest in Business Opportunity through CIP. As Business Opportunity will only go through CIP and CIP is legally bounded by the Deed of Non-Compete Undertakings, CIH and/or CIH's subsidiaries are effectively bound by the Deed of Non-Compete Undertakings.

SELLING RESTRICTIONS AGREEMENT

We entered into a selling restrictions agreement (the "**Selling Restrictions Agreement**") dated 22 December 2009 with CI Pharma China, Loyal Peace, our executive Directors Mr. Xu Jun, Mr. Liu Xiao Dong and one of our senior management Mr. Xie Hong Wei in relation to, amongst other things, the selling restrictions applied to the respective Shares held by CI Pharma China and Loyal Peace as at the Listing Date. A supplemental selling restrictions agreement was signed among the same parties on 31 March 2010 in relation to amendments to the terms of the Selling Restrictions Agreements. At the request of the Company and CI Pharma China during the negotiation of the Selling Restriction

Agreement, Mr. Xu Jun, Mr. Liu Xiao Dong and Mr. Xie Hong Wei, being the three largest beneficiaries under the Management Trust also entered into the Selling Restrictions Agreement to provide indemnity for certain terms under the Selling Restrictions Agreement.

Pursuant to the Selling Restrictions Agreement:

(i) each of CI Pharma China and Loyal Peace has undertaken that during the period commencing from the Listing Date and ending three years from the Listing Date or 30 June 2013 (whichever is later) (the "**No Selling Period**"), CI Pharma China and Loyal Peace shall not dispose of nor enter into any agreement to dispose of their respective Shares held as at the Listing Date;

(ii) Loyal Peace has undertaken that during the period commencing from the date of expiration of the No Selling Period and ending four years therefrom (the "**Selling Restrictions Period**"), Loyal Peace may dispose of its Shares held as at the Listing Date according to the following schedule:

  (a) 10% during the first year of the Selling Restrictions Period;

  (b) 30% (on an accumulated basis) during the second year of the Selling Restrictions Period;

  (c) 50% (on an accumulated basis) during the third year of the Selling Restrictions Period;

  (d) 70% (on an accumulated basis) during the fourth year of the Selling Restrictions Period; and

  (e) 100% after the end of the Selling Restrictions Period.

CONNECTED TRANSACTIONS

Our Group has entered into a number of transactions with CIH, our Controlling Shareholder, and its subsidiaries, which will become connected person of our Company upon Listing and such transactions will, upon completion of Listing, constitute continuing connected transactions of our Company under the Listing Rules.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

The following connected transactions will constitute exempted continuing connected transactions of our Company under Rule 14A.33(3) of the Listing Rules and will be exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

1. Deed of Non-Compete Undertakings

We have entered into the Deed of Non-Compete Undertakings with CIP, a wholly owned subsidiary of CIH, our Controlling Shareholder. For details of the Deed of Non-Compete Undertakings, please refer to the section headed "Relationship with Controlling Shareholder — Deed of Non-Compete Undertakings" of this prospectus.

As the Deed of Non-Compete Undertakings was entered into in favour of us without any consideration payable by us to CIP, the transaction contemplated under the Deed of Non-Compete Undertakings constitutes a de minimis continuing connected transaction of the Company which is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Technology Transfer Agreements

Pursuant to six technology transfer agreements ("**Technology Transfer Agreements**") entered into by Tianjin Longbai and Ningbo Lansen Pharma Technology all dated 1 November 2005, Tianjin Longbai agreed to transfer the production technologies in relation to six oral disintegrating tablets to Ningbo Lansen Pharma Technology for an aggregate consideration of RMB34,500,000 (equivalent to approximately USD5.1 million). The consideration of the transfers were determined on arm's length basis with reference to the then prevailing market price of production technologies of similar drugs. Pursuant to these agreements, Tianjin Longbai also authorized Lansen Pharma Technology to use the patent "solid fast disintegrating and fast dissolving pharmaceutical compounds during the course of production of diclofenac oral disintegrating tablet for oral usage and its tablets" (口腔用固體速崩、速溶藥物組合物及其片劑的製備方法) (the "**Tianjin Longbai Patent**") from 1 November 2005 (the "**Tianjin Longbai Patent Authorization**"). See the section headed "Intellectual property rights" of Appendix VI to this prospectus for further details.

Ningbo Foreign Trade & Economic Cooperation Bureau (寧波市對外貿易經濟合作局) approved the merger of Ningbo Lansen Pharma Technology by Ningbo Liwah on 14 April 2009. The business registration of Ningbo Lansen Pharma Technology was cancelled on 29 April 2009. Nevertheless, pursuant to a confirmation letter dated 1 March 2009 issued by

Tianjin Longbai to Ningbo Liwah, Ningbo Liwah is authorized to continue to use the patent under the Tianjin Longbai Patent Authorization for the duration of the Tianjin Longbai Patent.

Tianjin Longbai is a subsidiary of CIH, our Controlling Shareholder, therefore Tianjin Longbai is our connected person under the Listing Rules and the Tianjin Longbai Patent Authorization contemplated under the Technology Transfer Agreement constitutes a connected transaction of our Company under the Listing Rules.

As the Tianjin Longbai Patent Authorization was granted without any consideration payable by us to Tianjin Longbai, the Tianjin Longbai Patent Authorization contemplated under the Technology Transfer Agreements constitutes a de minimus continuing connected transaction which is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Property Licence Agreement

We have entered into a property licence agreement with Point Falcon Ltd. ("**Point Falcon**") on 9 April 2010 (the "**Property Licence Agreement**"), whereby Point Falcon authorized us to use the office premises with a lettable area of approximately 80 square feet at a monthly fee of HK$4,000 for a period of three years commencing from the Listing Date. We use such office premises as our principal place of business in Hong Kong.

The monthly fee of HK$4,000 under the Property Licence Agreement is based on market rates. The Directors confirm that the rent under the Property Licence Agreement is fair and reasonable, and has been negotiated on an arm's length basis and on normal commercial terms. Greater China Appraisal Limited, an independent property valuation firm, has also confirmed that the fee payable under the Property Licence Agreement is fair and reasonable and consistent with the prevailing market rates for similar premises in similar locations.

Point Falcon is a subsidiary of CIH, our Controlling Shareholder, therefore Point Falcon is our connected person under the Listing Rules and the Property Licence Agreement constitutes a connected transaction of our Company.

As the fee under the Property Licence Agreement is less than HK$1,000,000, the transactions contemplated under the Property Licence Agreement constitute a de minimis continuing connected transaction which is exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. Master Hotel Services Agreement

We have entered into a master hotel services agreement with Fuyuan Landmark (Shenzhen) Ltd. ("**Fuyuan Landmark**") on 9 April 2010 (the "**Master Hotel Services Agreement**"), pursuant to which Fuyuan Landmark agreed to provide rental of hotel and meeting rooms to members of our Group from time to time on normal commercial terms which are no less favourable than those available to Independent Third Parties.

Fuyuan Landmark is a subsidiary of CIH, our Controlling Shareholder, therefore Fuyuan Landmark is our connected person under the Listing Rules and the Master Hotel Services Agreement constitutes a connected transaction of our Company.

Term and termination

The Master Hotel Services Agreement is for a period commencing on the Listing Date and ending on 31 December 2012. Upon expiration of such initial term, subject to compliance by the Company with applicable requirements under the Listing Rules, the Master Hotel Services Agreement will be renewed automatically for a further term of three years (or for such other longer period as may be permitted for continuing connected transactions under the Listing Rules), unless at any time any relevant party gives at least 30 days' prior written notice of termination to the other party.

Historical transaction values

For the three years ended 31 December 2009, fees paid to CIH Group in respect of the rental of hotel and meeting rooms amounted to nil, approximately USD13,700 and USD37,900 respectively.

Proposed annual caps

The proposed annual caps for the transactions contemplated under the Master Hotel Services Agreement is approximately USD73,000 for each of the three years ending 31 December 2010, 2011 and 2012.

The Directors (including the independent non-executive Directors) consider that the Master Hotel Services Agreement has been entered into in the ordinary and usual course of business of our Group, on normal commercial terms, and are fair and reasonable and in the interests of the Shareholders as a whole.

As the amount involved under the Master Hotel Services Agreement is less than HK$1,000,000, the transactions contemplated under the Master Hotel Services Agreement constitute de minimis continuing connected transactions of the Company which are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BOARD OF DIRECTORS

Our Board of Directors consists of ten Directors including two executive Directors, five non-executive Directors and three independent non-executive Directors.

Executive Directors

Mr. XU Jun (徐軍), age 39, was appointed as an executive Director on 8 January 2010 and is the chief executive officer of our Company. Mr. Xu is responsible for the overall business strategy and corporate development of our Group. Mr. Xu has been responsible for the overall management of our Group since the incorporation of our Company. Mr. Xu has over 17 years of experience in the pharmaceutical industry through his working experience in Shenzhen Sanjiu and its subsidiaries (the "**Shenzhen Sanjiu Group**") since 1992. Prior to joining our Group, Mr. Xu held various managerial positions, including sales manager, head of sales department and deputy general manager in a company within the Shenzhen Sanjiu Group from 1992 to 2001. Mr. Xu obtained his bachelor of science degree in Economics from the Renmin University of China (中國人民大學) in 1992 and executive master degree in business administration from the China Europe International Business School in 2003 . Mr. Xu has entered into a service contract with our Company for a term of three years commencing on 9 April 2010.

Mr. LIU Xiao Dong (劉曉東), age 39, was appointed as an executive Director on 8 January 2010 and is the senior vice president of our Company in charge of operations management of the Group. Mr. Liu joined our Group at the end of 2001. Prior to joining our Group, Mr. Liu had been deputy head of the finance department and director of the auditing office of a company within the Shenzhen Sanjiu Group from 1992 to 2001. He has over 17 years of experience in the pharmaceutical industry through his working experience in Shenzhen Sanjiu Group since 1992. Mr. Liu obtained his bachelor's degree in economics from Wuhan University (武漢大學) in 1992. Mr. Liu has entered into a service contract with our Company for a term of three years commencing on 9 April 2010.

Non-executive Directors

Mr. Stephen Burnau HUNT, age 70, was appointed as a non-executive Director and chairman on 9 April 2010. Mr. Hunt is the deputy chairman and an executive director of CIH. He was formerly managing director of Aliant Capital, an investment company in Hong Kong. Mr. Hunt, a US citizen, spent 24 years with Bank of America in international management and lending positions. He was senior vice-president and area general manager for Bank of America located in Hong Kong. Mr. Hunt was president of the American Chamber of Commerce in Hong Kong in 1989. In 1990, Mr. Hunt was appointed to the Hong Kong Government's International Business Committee, and from 1989 to 1991 was a member of the Hong Kong Government's Advisory Committee on Free Trade. Mr. Hunt is currently a trustee of the American Chamber of Commerce's Charitable Foundation. Mr. Hunt is also a member of the Main Board and GEM Listing Committee of the Stock Exchange. Mr. Hunt obtained a bachelor of arts degree from Duke University in 1961 and a master's degree in international affairs from Columbia University in 1963. Mr. Hunt has entered into a letter of appointment with our Company for a term of three years commencing on 9 April 2010.

Mr. LEE Jin Yi (李晉頤), age 52, was appointed as a non-executive Director on 9 April 2010. Mr. Lee joined the CIH Group in January 2010 and is the Chief Executive Officer of CIH. Mr. Lee has extensive experience in the banking industry and held various senior management positions with major financial institutions over the past 20 years. Mr. Lee has been a director of Xiamen City Commercial Bank. Prior to joining the CIH Group, Mr. Lee was the managing director and chief executive officer of Fubon Bank (Hong Kong) Limited for five and half years and a director of Fubon Financial Holding Company Limited. Prior to that, Mr. Lee was the managing director and China senior country officer of J.P. Morgan Chase & Co. and chairman of the Hong Kong Management Committee of J.P. Morgan Chase & Co. Mr. Lee obtained a master's degree in business administration from Harvard University in 1984. Mr. Lee has entered into a letter of appointment with our Company for a term of three years commencing on 9 April 2010.

Mr. TANG Jun (湯軍), age 50, will be appointed as a non-executive Director on 9 April 2010. Mr. Tang joined the CIH Group in 1994 and has been working in the business development department, responsible for exploring investment opportunities in the pharmaceutical industries for our Group. Currently Mr. Tang is the vice president and head of business development of the CIH Group. Mr. Tang is also acting as chairman for Ningbo Liwah, Shenzhen Lansen and Ningbo Lansen, and a director of Xian Haotian. Mr. Tang obtained a bachelor of philosophy degree from Hangzhou University in 1982 (杭州大學), a master of philosophy degree from Beijing Normal University (北京師範大學) in 1986 and a licentiate degree in Law from Lapland University, Finland in 1993. Mr. Tang has entered into a letter of appointment with our Company for a term of three years commencing on 9 April 2010.

Ms. TAO Fang Fang (陶芳芳), age 39, was appointed as a non-executive Director on 8 January 2010. Ms. Tao joined the CIH Group in 2007 and is also acting as a director of Xian Haotian. Ms. Tao became a professional accountant and a registered accountant in 1996 and 1998 respectively. Before being promoted to the position of director of finance department of a leading pharmaceutical group in China, Ms. Tao worked as financial controller for a manufacturing company and financial manager for a marketing and sales company under the control of that group. Ms. Tao graduated from the department of accounting of Shanghai University of Finance and Economics (上海財經大學) in 1992. Ms. Tao has entered into a letter of appointment with our Company for a term of three years commencing on 9 April 2010.

Ms. YIP Pui Ling, Rebecca (葉佩玲), age 51, was appointed as a non-executive Director on 10 September 2009 and is also the company secretary, Vice-president and head of asset management of the CIH Group responsible for the management of the operations of the CIH Group's invested projects and is also acting as Chairman of Xian Haotian and its subsidiaries. Ms. Yip is a fellow of HKICPA since 1994, a fellow of ACCA since 1991, and an associate of ICAEW since 2008. Ms. Yip is also an associate of The Institute of Chartered Secretaries and Administrators since 1988 and The Hong Kong Institute of Company Secretaries since 1994. Prior to joining the CIH Group in February 1994, Ms. Yip worked for KPMG as an auditor and tax consultant for seven years. Ms. Yip graduated from Lingnan College where she obtained a Diploma in Business Administration and

Accounting in 1981 and a Honours Diploma in Accounting in 1983. Ms. Yip has entered into a letter of appointment with our Company for a term of three years commencing on 9 April 2010.

Independent Non-executive Directors

Mr. Robert Peter THIAN, age 66, was appointed as an independent non-executive Director and deputy Chairman on 9 April 2010. Mr. Thian is the founder and chief executive of Renex Limited, a private investment company. Mr. Thian has over 20 years of executive experience as a senior manager. From 1968 to 1980, he was managing director of Glaxo Farmaceutica Lda. Mr. Thian was European regional director of Abbott Laboratories and European business development director of Abbott International from 1980 to 1987. Mr. Thian has over 20 years experience in the pharmaceutical industry as an executive with the above companies. Mr. Thian was vice-president, International Operations of Novo Industri A/S from 1987 to 1989. Mr. Thian was group chief executive of North West Water Group Plc (a company listed on the London Stock Exchange) from 1990 to 1993. He was also the group chief executive of the Stationery Office Group (which was the United Kingdom government publisher) from 1996 to 1999. Mr. Thian was non-executive chairman of Equiniti until 2009, also chairman of Whatman (a company listed on the London Stock Exchange), Southern Water, Astron Group and Orion Group. Mr. Thian was a member of the Bar in London (Barrister, Gray's Inn, 1968 to 1971) and he has a law degree from the University of Geneva in Switzerland (Licence en Droit, 1967). Mr. Thian has entered into a letter of appointment with the Company for a term of three years commencing on 9 April 2010.

Mr. CHAN Kee Huen, Michael (陳記煊), age 58, was appointed as an independent non-executive Director on 9 April 2010. Mr. Chan has over 30 years of external audit, IT audit, training, accounting and finance, company secretarial and corporate administration, MIS management, internal audit, information security, risk management and compliance experience. Mr Chan is a fellow of the HKICPA and The Chartered Association of Certified Accountants, a fellow and specialist in Information Technology of CPA Australia and an associate of The ICAEW. Mr Chan is also associate or member of the following professional bodies: The Hong Kong Computer Society, Hong Kong Securities Institute, the Chartered Institute of Arbitrators and the Life Management Institute. He is also a Certified Information Systems Auditor with the Information Systems Audit and Control Association and a Fellow of the Hong Kong Institute of Directors. Mr. Chan is the chief executive of C&C Advisory Services Limited and an adjunct professor in the School of Accounting and Finance of the Hong Kong Polytechnic University. Mr. Chan has worked at CMG Life Assurance Limited (formerly Jardine CMG Life Assurance Limited) from 1991 to 1996 and his last position was general manager, compliance. He was the head of internal audit of Dao Heng Bank/Guoco Group Limited from 1996 to 2000, the head of compliance in Greater China, managing director of DBS Bank (Hong Kong) Limited from 2001 to 2003, the group financial controller of Lam Soon (Hong Kong) Limited from 2004 to 2005, the director of Quality Assurance of HKICPA in 2006 and the head of group compliance of Ping An Insurance (Group) Company of China, Limited from December

2006 to April 2009. Mr. Chan graduated with a higher diploma in accountancy from Hong Kong Polytechnic in 1976. Mr. Chan has entered into a letter of appointment with the Company for a term of three years commencing on 9 April 2010.

Mr. Tang Chiu Ping, Raymond (鄧昭平), age 61, was appointed as an independent non-executive Director on 9 April 2010. Mr. Tang has been in the executive search field since 1985 when he joined the Hong Kong office of Russell Reynolds Associates. Mr Tang was formerly Chairman, Greater China at Russell Reynolds Associates until late 2008 when he retired from the industry. Mr. Tang was educated in the United States at Tufts University in Boston, Massachusetts where he obtained a bachelor of Arts degree in 1972; and he graduated with a master's degree in public health from the Yale University School of Medicine in New Haven, Connecticut in 1975. He has served as a member of non-governmental organizations such as the Hong Kong Council of Academic Accreditation & Vocational Qualifications. Mr. Tang has entered into a letter of appointment with the Company for a term of three years commencing on 9 April 2010.

Save as disclosed, each of the Directors confirms with respect to him that: (i) he has not held any directorships during the three years preceding the date of this prospectus in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not have any relationship with any other Directors, senior management or substantial or Controlling Shareholder of the Company; (iii) he does not hold any positions in the Company or other members of the Group; (iv) he does not have any interests in the Shares within the meaning of Part XV of SFO; (v) there is no other information that should be disclosed for him pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v); and (vi) there are no other matters that need to be brought to the attention of holders of securities of the Company.

SENIOR MANAGEMENT

Mr. XIE Hong Wei (謝宏偉), age 37, is the senior vice president of sales of the Group and general manager of Shenzhen Lansen responsible for the marketing and management of the Group. Mr. Xie joined our Group in December 2001 and has over 15 years of experience in the pharmaceutical industry. Prior to joining our Group, Mr. Xie had been the manager and sales director of the sales and marketing department of a company within the Shenzhen Sanjiu Group from 1994 to 2001. Mr. Xie obtained a bachelor's degree in medical library and information science from Norman Bethune University of Medical Science (白求恩醫科大學) in 1994.

Mr. CHAN Sheung Chi (陳雙志), age 31, is our chief financial officer and the Company secretary. Mr. Chan joined our Company on 31 August 2009 and is responsible for finance management and control, accounting, auditing, company secretarial and investor relations of our Group. Prior to joining our Group, Mr. Chan worked for Deloitte Touche Tohmatsu in the area of audit services and corporate finance from 2001 to 2009. He is a member of HKICPA. Mr. Chan obtained his bachelor's degree in business administration in accounting and finance from the University of Hong Kong in 2001.

Ms. POON Lei Yung (潘莉蓉), age 44, is the senior vice president of our Group. Ms. Poon joined the CIH Group in December 1997 and had worked in the business development and finance departments of the CIH Group and holds several directorships in the subsidiaries of our Company. Prior to joining the CIH Group, Ms. Poon was the assistant to president at Bessemer Asia Limited, a subsidiary of a U.S. based company, Bessemer Holdings LLC. Ms. Poon has over 18 years of experience with international firms that are specialized in direct investments in China, and has worked in Hong Kong, Australia and China. She obtained her master's degree in business administration from the University of South Australia in 2000.

Mr. LIANG Yi (梁翌), age 45, is the chief technology officer of the Group in charge of research and development, and technology. Mr. Liang joined our Group in December 2001 and has over 12 years of experience in the pharmaceutical industry. Prior to joining our Group, he was employed by a company within the Shenzhen Sanjiu Group from 1998 to 2001. Mr. Liang obtained his master's degree in pharmacy from Kunming Medical University (昆明醫學院) in 1997.

Mr. ZHOU Rong (周戎), age 40, is the chief logistics officer of the Group, director of Ningbo Liwah and the general manager of Liwah Zhiti in charge of logistic related matters of the Group and operation and management of Liwah Zhiti. Mr. Zhou joined our Group in December 2001 and has over 18 years of experience in the pharmaceutical industry. Prior to joining our Group, he was employed by a company within the Shenzhen Sanjiu Group from 1991 to 2001. Mr. Zhou obtained his bachelor's degree in heat, ventilating, air-conditioning engineering from Shenyang Jianzhu Architectural and Civil Engineering College (瀋陽建築工程學院) in 1991.

Mr. ZHANG Xin Ming (張新明), age 36, is the chief OTC business officer of the Group and deputy general manager of Ningbo Liwah in charge of OTC business of the Group and operation and management of Ningbo Liwah. Mr. Zhang joined our Group in December 2001 and has over 13 years of experience in the pharmaceutical industry. Prior to joining our Group, he had been the manager of a company within the Shenzhen Sanjiu Group from 1996 to 2001. Mr. Zhang obtained his bachelor's degree in pharmacy from the West China University of Medical Sciences (華西醫科大學) in 1996.

EMPLOYEES

As at 31 December 2009, we had a total of 633 full-time employees. A breakdown of the number of employees of the Group by function is as follows:

	No. of employees
Senior management, administration, personnel and accounting	79
Sales and marketing	302
Production and operation	216
Research and development	36
Total	633

STAFF RELATIONS

We are required to make social insurance contributions for the benefit of our employees under the relevant PRC laws and regulations. During the Track Record Period, we have not made social insurance contribution to the local insurance bureau for some of our employees. Please see the section headed "Business — Social Insurance" of this prospectus for more details.

The Company has not experienced any significant problems with its employees or disruption to its operations due to labor disputes, nor has it experienced any difficulties in recruitment and retention of experienced staff. The Directors believe that the Company has a good working relationship with its employees.

REMUNERATION POLICY FOR DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

We reimburse the Directors for expenses which are necessarily and reasonably incurred for providing services to the Company or executing their functions in relation to the operations of the Company. The executive Directors are also employees of the Company and receive, in their capacity as employees of the Company, certain compensation.

Prior to the Listing, the remuneration policy of the Group to reward its employees and directors is based on their performance, qualifications, competence displayed and market comparables. Remuneration package typically comprises salary, housing allowances, contribution to pension schemes and bonuses relating to the profit of the relevant company.

Upon and after the Listing, the remuneration package of the executive Directors and the senior management will be linked more to the performance of the Group and the return to its Shareholders. The remuneration committee will review annually the remuneration of all the Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

The employee costs of the Group (including Directors' and senior management's emoluments) in the years ended 31 December 2007, 2008 and 2009 were approximately USD3.1 million, USD4.2 million and USD5.1 million respectively.

The aggregate amount of salaries and other allowances and benefits in kind paid by us to our five highest paid individuals during the years ended 31 December 2007, 2008 and 2009 were approximately USD0.4 million, USD0.4 million and USD0.6 million respectively. Approximately USD0.02 million, USD0.02 million and USD0.05 million were paid by the Company as contribution to the pension schemes in respect of such individuals in the years ended 31 December 2007, 2008 and 2009 respectively.

We contribute to various social insurance plans, such as pension contribution plans, medical insurance plans, work-related injury insurance plans, unemployment insurance plans and maternity insurance plans, as well as housing accumulation funds for our employees in accordance with the applicable PRC laws and regulations on social insurance. Please also refer to the section headed "Business — Legal Compliance and Proceedings" of this prospectus for our compliance with social insurance obligations.

The aggregate amount of salaries, bonuses and contributions to pension schemes we paid to the relevant Directors in respect of each of the years ended 31 December 2007, 2008, 2009 and the financial year ending 31 December 2010 were approximately USD0.1 million, USD0.2 million, USD0.3 million and USD0.3 million respectively. Further information on the remuneration of each Director during the Track Record Period is set out in note 27 of Section II to the Accountants' Report as set out in Appendix I to this prospectus.

Except as disclosed above, no other payments have been made or are payable, in respect of the years ended 31 December 2007, 2008 and 2009, by the Company or any of the subsidiaries to or on behalf of any of the Directors.

AUDIT COMMITTEE

We have established an audit committee (the "**Audit Committee**") on 9 April 2010. The Audit Committee is chaired by Mr. Chan Kee Huen, Michael, an independent non-executive Director, who possesses professional accounting and financial qualifications. Its other members will be two independent non-executive Directors, Mr. Robert Peter Thian and Mr. Tang Chiu Ping, Raymond, and two non-executive Directors, Mr. Lee Jin Yi and Ms. Yip Pui Ling, Rebecca. None of the members of the Audit Committee is a former partner of the external auditor of the Group.

The functions of the Audit Committee are (1) to oversee the relationship with the external auditor, including: (i) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and addressing any questions of resignation or dismissal of such auditor; (ii) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and (iii) developing and implementing policy on the engagement of the external auditor to supply non-audit services; (2) to monitor the integrity of financial statements and reports of our Group and to review significant financial reporting judgments contained therein; and (3) to review the effectiveness of the financial reporting and internal control systems of our Group.

REMUNERATION COMMITTEE

We have set up a remuneration committee (the "**Remuneration Committee**") on 9 April 2010. The Remuneration Committee is chaired by Mr. Lee Jin Yi, a non-executive Director. Its other members will be Mr. Stephen Burnau Hunt, a non-executive Director, and three independent non-executive Directors, Mr. Robert Peter Thian, Mr. Chan Kee Huen, Michael and Mr. Tang Chiu Ping, Raymond.

The functions of the Remuneration Committee are to establish and supervise a formal and transparent procedure for setting the remuneration policies of the Company, including determining and reviewing the remuneration packages of Directors and senior management.

COMPLIANCE ADVISOR

We will appoint Piper Jaffray Asia as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules to advise the Company on the following matters in accordance with Rule 3A.23 of the Listing Rules:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where business activities, developments or results of the reorganised Group deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of the Company of unusual movements in price or trading volume of its listed securities or any other matters, in accordance with Rule 13.10 of the Listing Rules.

It is expected that the appointment will commence on the Listing Date and will end on the day on which the Company sends its financial results as required under Rule 13.46 of the Listing Rules for the first full financial year commencing after the Listing Date.

So far as our Directors are aware, immediately following completion of the Share Offer (without taking into account any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option), each of the following persons (not being a Director or chief executive of the Company), will have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange 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 any other member of the Group:

Name of Shareholder	Nature of interest	Total number of Shares held *(note 1)*	Approximate percentage of interest in our Company
CI Pharma China *(note 2)*	Beneficial interest	209,820,000(L)	52.46%
CI Biotech & Pharma China *(note 2)*	Interest in a controlled corporation	209,820,000(L)	52.46%
CIP *(note 2)*	Interest in a controlled corporation	209,820,000(L)	52.46%
CIB *(note 2)*	Interest in a controlled corporation	209,820,000(L)	52.46%
CIH *(note 2)*	Interest in a controlled corporation	209,820,000(L)	52.46%
Cathay International Enterprises Limited *(Note 3)*	Interest of a controlled corporation	209,820,000(L)	52.46%
Barclays Private Bank & Trust (Cayman) Ltd. *(Note 4)*	Trustee	209,820,000(L)	52.46%
Wu Zhen Tao *(Note 4)*	Founder of discretionary trusts and beneficiary of a trust	209,820,000(L)	52.46%
Loyal Peace *(Note 5)*	Beneficial interest	48,830,000(L)	12.21%
Ever Sail *(Note 5)*	Interest of a controlled corporation	48,830,000(L)	12.21%

Notes:

(1) The letter "L" denotes the entity/person's long position in the Shares.

(2) These Shares are held by CI Pharma China, CI Pharma China is owned as to 18% by CIC and 82% by CI Biotech & Pharma China. CIC is in turn owned as to 100% by CI Biotech & Pharma China. CI Biotech & Pharma China is in turn wholly owned by CIP, CIP is wholly owned by CIB, which in turn is wholly owned by CIH. Therefore, CIC, CI Biotech & Pharma China, CIP, CIB, and CIH are deemed to be interested in these Shares.

(3) CIH is held as to approximately 60.99% by Cathay International Enterprises Limited. Therefore, Cathay International Enterprises Limited is deemed to be interested in the Shares held by CI Pharma China.

*(4) The entire issued share capital of Cathay International Enterprises Limited is held by Barclays Private Bank & Trust (Cayman) Ltd. acting as the trustee of the trust set up by Mr. Wu Zhen Tao for the benefit of Mr. Wu Zhen Tao and members of his family ("**Wu Family Trust**"). Mr. Wu Zhen Tao as founder of the Wu Family Trust is deemed to be interested in the Shares held by Cathay International Enterprises Limited.*

(5) Conditional upon the Listing, the shares of Loyal Peace held by CI Pharma China will be transferred to Ever Sail to be held on trust for the beneficiaries of the Management Trust. Therefore, Ever Sail is deemed to be interested in the Shares held by Loyal Peace.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following completion of the Share Offer have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

The following tables set forth information with respect to the share capital of the Company after completion of the Share Offer. All the Shareholders have the same voting right per Share.

Authorized capital:

		USD
20,000,000,000	Shares of USD0.01 each	200,000,000

Shares issued and to be issued, fully paid or credited as fully paid:

Number of Shares	Description of Shares	Aggregate nominal value of Shares	Approximate percentage of issued share capital
		USD	
300,000,000	Shares in issue as at the date of this prospectus	3,000,000	75%
100,000,000	Shares to be issued under the Share Offer	1,000,000	25%
400,000,000	Total	4,000,000	100%

According to Rule 8.08 of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the "minimum prescribed percentage" of 25% of our Company's issued share capital in the hands of the public.

Assumptions

The table is based on the assumptions that the Share Offer become unconditional and are completed and the Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased pursuant to the Issuing Mandate referred to in the paragraph headed "General Mandate to Issue Shares" below and the Repurchase Mandate referred to in the paragraph headed "General Mandate to Repurchase Shares" below are not taken into account. If the Over-allotment Option is exercised in full, then 15,000,000 additional Shares will be issued resulting in a total enlarged issued share capital of 415,000,000 Shares.

Ranking

The Offer Shares will rank pari passu in all respects with all Shares in issue or to be issued as set forth in the above table, and will qualify for all dividends or other distributions declared, paid or made on the Shares after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed "Structure of the Share Offer" in this prospectus, our Directors have been granted a general mandate ("**Issuing Mandate**") to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of:

1. 20% of the total nominal amount of the share capital of our Company in issue, excluding the Shares which may be issued pursuant to the exercise of Over-allotment Option, immediately following completion of the Share Offer; and

2. the total amount of the share capital of our Company repurchased by us (if any) pursuant to the authority referred to in the paragraph headed "General Mandate to Repurchase Shares" below.

Our Directors may, in addition to the Shares which they are authorized to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements.

This Issuing Mandate will expire:

(i) at the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which we are required by our Articles or the Cayman Companies Law or any applicable law to hold the next annual general meeting; or

(iii) the passing of an ordinary resolution by Shareholders in general meeting revoking or varying such mandate; whichever occurs first.

For further details of this general mandate, please see the section headed "Written resolutions of the shareholders of the Company passed on 9 April 2010" in Appendix VI to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed "Structure of the Share Offer" in this prospectus, our Directors have been granted a general mandate ("**Repurchase Mandate**") to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal amount of the share capital of the Company immediately following the completion of, the Share Offer (excluding Shares which may to be issued pursuant to the exercise of the Over-allotment Option).

This mandate relates only to repurchases made on the Stock Exchange and/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 which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Repurchase by the Company of its own securities" in Appendix VI to this prospectus.

This Repurchase Mandate will expire:

(i) at the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which we are required by our Articles or the Cayman Companies Law or any applicable law to hold the next annual general meeting; or

(iii) the passing of an ordinary resolution by Shareholders in general meeting revoking or varying such mandate; whichever occurs first.

For further details of this general mandate, please see the section headed "Written resolutions of the shareholders of the Company passed on 9 April 2010" in Appendix VI to this prospectus.

The following discussion should be read in conjunction with the combined financial statements included in the Accountants' Report and the notes thereto (the "Accountants' Report") included in Appendix I to this prospectus and the selected historical financial information and operating data included elsewhere in this prospectus. The combined financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in the sections headed "Forward-Looking Statements" and "Risk Factors" in this prospectus.

SELECTED FINANCIAL DATA

The following tables present our selected historical consolidated financial information for the periods indicated.

	Year ended 31 December		
	2007	2008	2009
	(USD in thousands)		
Combined statements of comprehensive income data:			
Revenue	24,150	37,119	47,932
Cost of sales	(7,695)	(11,094)	(15,493)
Gross profit	16,455	26,025	32,439
Other income	628	478	820
Selling and distribution expenses	(10,226)	(14,809)	(18,143)
Administrative expenses	(5,247)	(4,224)	(5,546)
Profit from operations	1,610	7,470	9,570
Finance costs	(774)	(1,518)	(667)
Profit before income tax	836	5,952	8,903
Income tax expense	(404)	(879)	(1,523)
Profit for the year	432	5,073	7,380

	As at 31 December		
	2007	2008	2009
	(USD in thousands)		
Combined statements of financial position data:			
Cash and cash equivalents	1,585	9,103	4,055
Total assets	46,942	60,377	63,188
Current liabilities	23,979	16,943	22,431
Non-current liabilities	1,924	20,692	10,801
Total liabilities	25,903	37,635	33,232
Total equity	21,039	22,742	29,956

	Year ended 31 December		
	2007	2008	2009
	(USD in thousands)		
Combined statements of cash flows data:			
Net cash generated from operating activities	2,603	2,487	4,147
Net cash (used in)/generated from investing activities	(10,505)	3,800	(5,263)
Net cash generated from/(used in) financing activities	7,749	889	(3,879)
Net (decrease)/increase in cash and cash equivalents	(153)	7,176	(4,995)
Cash and cash equivalents, beginning of year	1,337	1,585	9,103
Effects of exchange rate changes	401	342	(53)
Cash and cash equivalents, end of year	1,585	9,103	4,055

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a specialty pharmaceutical group principally engaged in the development, production and sale of rheumatic specialty prescription western pharmaceuticals in the PRC and also engaged in the production and sale of Other Pharmaceuticals in the PRC. Our revenue is entirely derived from the production and/or sale of rheumatic specialty prescription western pharmaceuticals and Other Pharmaceuticals.

For the three years ended 31 December 2007, 2008 and 2009, we generated revenue of approximately USD24.2 million, USD37.1 million and USD47.9 million respectively, representing a CAGR of approximately 40.9%. During the same period, our net profits were approximately USD0.4 million, USD5.1 million and USD7.4 million respectively. In 2007, the Group, after an intensive review of its business, made an one-off provision for doubtful debts of approximately USD2.5 million which mainly included full provision over an amount of approximately USD1.0 million of accounts receivable for Ningbo Liwah and Shenzhen Lansen that had been carried forward from the period prior to the Group's acquisition in August 2005 as well as provision for doubtful debts for all receivables over one year in age. In 2008, approximately USD0.7 million of the trade receivables were recovered, for which we had previously made provision. If we exclude this provision of approximately USD2.5 million and the recovery of the provision of approximately USD0.7 million, net profit would be approximately USD2.9 million and approximately USD4.4 million for the years ended 31 December 2007 and 2008 respectively. For the three years ended 31 December 2007, 2008 and 2009, the CAGR of net profits would be approximately 59.5%, our net margins were approximately 12.0%, 11.9% and 15.4% respectively.

For the three years ended 31 December 2007, 2008 and 2009, revenue of our rheumatic specialty prescription western pharmaceuticals amounted to approximately USD16.3 million, USD26.6 million and USD33.1 million respectively, representing approximately 67.3%, 71.7% and 69.1% respectively, of our total revenue. During the same periods,

revenue of our Other Pharmaceuticals amounted to approximately USD7.9 million, USD10.5 million and USD14.8 million respectively, representing approximately 32.7%, 28.3% and 30.9% respectively, of our total revenue. Our rheumatic specialty prescription western pharmaceuticals products are primarily marketed under our "Lansen" trademark. As at 31 December 2009, our products are distributed by our extensive sales and marketing network covers over 1,000 hospitals in 25 provinces and four municipal cities with approximately 260 sales representatives and in 2009, we have more than 500 direct customers which comprise distributor customers and other customers.

Basis of Preparation

The Reorganization had been accounted for using the principles of merger accounting, under which the Company had been treated as the holding company of its subsidiaries during the relevant periods or since their respective dates of incorporation or acquisition whichever was shorter. The assets and liabilities of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost. Difference between the nominal amount of the Company's share issued, if any, and the net asset value of the acquiree is recognised directly in equity as share premium. The combined statements of comprehensive income, combined statements of cash flows and combined statements of changes in equity of the Group for the relevant periods and the combined statement of financial position of the Group as of 31 December 2007, 2008 and 2009 have been prepared as if the current group structure had been in existence throughout the relevant periods, or since the respective dates of incorporation/registration of the subsidiaries, whichever is the shorter period, to the extent of interest held by the Company's shareholders. All significant intra-group transactions, balances and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

The financial information has been prepared based on the IFRSs Financial Statements of Lansen Pharmaceutical BVI, with the exclusion of the results of certain subsidiaries (CIC and its subsidiaries, collectively referred as the "**CICBP Group**") of Lansen Pharmaceutical BVI which were disposed of on 3 April 2007. The CICBP Group's businesses mainly focused on the research and development in technology know-how in areas such as drug delivery systems, biological materials and diagnostic kits whereas the Group is principally engaged in the development, production and sale of rheumatic specialty prescription western pharmaceuticals. As the business of the CICBP Group was dissimilar to the business of the subsidiaries now comprising the Group, the result of the CICBP Group for period from 1 January 2007 to the date of disposal was excluded from the Group as if the current group structure had been in existence on 1 January 2007, so that the effect of the result from the discontinued operations relating to the CICBP Group will not distort the financial information of the Group. Had the financial results of CICBP Group not been excluded from the financial information of the Group, the Group's profit for the year ended 31 December 2007 would have increased by USD612,000 and the Group's retained profits as of

1 January 2007 would have decreased by USD612,000 which represented accumulated losses as at 1 January 2007 attributable to the CICBP Group. The CICBP Group did not have any turnover during 1 January 2007 to the date of disposal.

The financial information has been prepared in accordance with IFRSs, which collective term includes all applicable individual International Financial Reporting Standards and Interpretations as approved by the International Accounting Standards Board ("IASB"), and all applicable individual International Accounting Standards ("IAS") and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. It also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

The financial information has been prepared under the historical cost convention. The measurement bases are fully described in the accounting policies below. The Financial Information is presented in United States Dollars ("USD"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated. All significant inter-company transactions and balances within our Group have been eliminated upon combination.

The functional currency of the Company is USD as the Company intends to be operating in a primary economic environment that uses USD or a currency pegged with the USD, e.g. the future financing, if any, will be raised primarily with USD borrowings. Although its expenditures will mainly be paid in HK$, these amounts are not expected to be very significant and also HK$ is pegged with USD, therefore the Company considers its functional currency is USD.

Critical Accounting Policies

The Combined Financial Information have been prepared by the Directors in accordance with IFRS. We have identified below the accounting policies that we believe are the most critical to our Combined Financial Information. Our significant accounting policies are set forth in detail in note 2 of Section II to the Accountants' Report included as Appendix I to this prospectus. These accounting policies require, subjective or complex judgments by our management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Certain accounting estimates are particularly sensitive because of their significance to our Combined Financial Information. The estimates and associated assumptions are based on historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities, are discussed in more detail in note 3 of Section II to the Accountants' Report in Appendix I. We review our estimates and underlying assumptions on an ongoing basis.

Goodwill

Goodwill arising on the acquisition represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquirees recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue comprises the fair value for the sale of goods and the use by others of the Group's assets yielding interest, net of discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognized upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Interest income is recognised on a time-proportion basis by reference to the principal outstanding and the effective interest rate method.

Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized to the cost of those assets, until such time as 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 eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilised the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into

account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost of the business combination.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is provided to write off the cost of property, plant and equipment on a systematic basis over their estimated useful lives which are re-assessed annually. The major categories of property, plant and equipment are depreciated as follows:

Building and plant	20–50 years or over the terms of leases, whichever is shorter
Machinery	3–10 years
Motor vehicles	5–12 years
Furniture and equipment	5–15 years

The assets' residual values, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets in the course of construction for production or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and for qualifying assets, borrowing cost capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Land use rights

Land use rights represent up-front payments to acquire long term interest in the usage of land. The payments are stated at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated on a straight-line basis over the lease terms between 48 to 50 years.

Intangible assets (other than goodwill) and research and development activities

Intangible assets (other than goodwill)

Intangible assets acquired separately are recognized initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses. Intangible assets are tested for impairment annually as described below.

Research and development costs

Costs associated with research activities are expensed in the income statement as they occur. An intangible asset arising from development expenditure on an individual project is recognized provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Development expenditure which does not meet the above criteria is expensed when incurred. Capitalised development costs that have a finite useful life are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit. Capitalised development costs with indefinite useful lives are tested for impairment annually.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined, net of any depreciation or amortisation, had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets

The Group's financial assets comprise available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Bills receivables, trade and other receivables and bank balances that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets, such as trade receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period normally ranging from six months to one year, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are obligations to pay cash or other financial assets including borrowings, trade and other payables and amounts due to related companies are recognized when the Group becomes party to the contractual obligations of the instrument and are initially recorded at fair value, net of issue costs. They are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks which are repayable on demand and form an integral part of the Group's cash management.

Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Defined contribution plan

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a national pension scheme operated by the local municipal government. Each subsidiary in the PRC is required to contribute a certain percentage of its payroll costs to the national pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the national pension scheme.

Factors Affecting Our Results of Operations and Financial Condition

The major factors affecting our results of operations and financial condition include the following:

Growth of the Chinese pharmaceutical market

Our financial results have been, and we expect them to continue to be, affected by the growth of the Chinese pharmaceutical market. According to the BDCL Report, the Chinese pharmaceuticals market increased from approximately RMB208.0 billion (equivalent to approximately USD30.5 billion) in 2002 to approximately RMB482.6 billion (equivalent to approximately USD70.7 billion) in 2008. The key factors expected to drive the growth of the Chinese pharmaceutical industry include (i) increased income and health awareness of the Chinese population; (ii) increasing participation in the State Basic Medical Insurance System; (iii) aging population and prevalence of disease among the middle aged and elderly populations; and (iv) government initiatives relating to the pharmaceutical industry in China. For additional details regarding the expected growth of the Chinese pharmaceutical market, see "Industry Overview — Pharmaceutical Industry in China." We intend to increase sales of our products and expand our product portfolio and distribution networks to fully capitalize on the growth in the Chinese pharmaceutical industry.

Regulatory environment of the Chinese pharmaceutical industry

The pharmaceutical industry is highly regulated in China. The PRC Government has implemented the rural cooperative medical insurance system to reduce medical costs for poor rural residents, it is expected to drive the growth of the PRC pharmaceutical market and its products. We anticipated to expand our footprints into urban hospitals, community clinics and customers in rural areas to capture opportunities arising from such changes in the medical insurance system.

Prior to obtaining relevant licensing and permits approved by SFDA to launch the product to the market, each new product is required to undergo clinical trials. In addition, the procurement of pharmaceutical products listed in the Insurance Catalogue or in bulk volume by hospitals is subject to a centralized bidding system through which only successful bidders may sell their products to the hospitals. In addition, products listed in the Insurance Catalogue are subject to price control by the

government and their price may not exceed the price ceiling set by the government from time to time. By leveraging our extensive marketing and distribution network and strict quality control, we believe that we are well-positioned to benefit from the changes in PRC regulatory requirements.

Further, the government may also prohibit sales of previously approved products due to reported adverse drug reactions or any other reason.

Dedicated product offerings and platform

Our sales volume is primarily affected by market demand for our products, which is in turn a function of various macro- and micro-economic factors. The macro-economic factors affect the Chinese pharmaceutical industry as a whole, including disease trends, the availability of substitute medicines, competition within the industry, government policy and spending power of end-users. The micro-economic factors are more specific to us, including our product mix management, our product development strategies, brand awareness among customers and customer loyalty to our products, which are in turn a function of our product quality, customer service and effectiveness of our marketing and distributor activities.

We have made efforts to increase sales of our higher profit margin products to enhance our overall profitability. For the three years ended 31 December 2007, 2008 and 2009, revenue from our rheumatic specialty prescription western pharmaceuticals amount to approximately USD16.3 million, USD26.6 million and USD33.1 million respectively representing approximately 67.3%, 71.7% and 69.1% of the total revenue respectively. We have experienced significant growth in our business in the past three years.

Our future results of operations depend on our ability to develop and introduce new products. Amongst our product candidates, seven of which are anti-rheumatic. The commercialization of our product candidates would enhance our product mix and increase the sources of revenue. Increased production resulting from these new products would also lead to economies of scale and reduced production costs. We believe that our product offerings combined with our extensive marketing and distribution network drive our revenue growth.

Our cost of sales

Cost of raw materials comprises the majority of our cost of sales. The principal raw materials used to produce our rheumatic specialty prescription western pharmaceuticals and Other Pharmaceuticals are Chinese herbs grown in China. All of our raw materials are purchased from suppliers in China. The pricing of these raw materials is a result of supply and demand forces. Due to the abundant supply of raw materials available from multiple sources, we are flexible to choose among suppliers that provide raw materials of better quality and at more competitive prices.

Description of Components of Results of Operations

Revenue

Revenue represents the net amounts received and receivable for goods sold. We generate our revenue from sales of products, which is recognized once goods have been delivered to our customers and title has passed.

The following table sets forth our breakdown of revenue, by product type, for the periods indicated:

	Year ended 31 December					
	2007		2008		2009	
	Revenue	%	Revenue	%	Revenue	%
	(USD in thousands, except percentage)					
Revenue by product type						
Rheumatic Specialty Prescription Western Pharmaceuticals						
Pafulin (Total Glucosides of White Peony Capsules)	9,410	39.0	13,872	37.4	18,176	38.0
Tuoshu (Leflunomide Tablets)	3,015	12.5	6,066	16.3	8,122	16.9
Jinlang (Capsaicin Ointment)	2,242	9.2	3,487	9.4	2,646	5.5
Yisuojia (Glucosamine Sulfate Capsules)	1,250	5.2	1,851	5.0	2,228	4.7
Liupuan (Glucosamine Potassium Sulfate Capsules)	337	1.4	1,356	3.6	1,930	4.0
Subtotal	**16,254**	**67.3**	**26,632**	**71.7**	**33,102**	**69.1**
Other Pharmaceuticals						
Modern Chinese Medicine Extracts	2,839	11.8	4,982	13.4	9,290	19.4
Indometacin Cataplasm (Biaide)	33	0.1	705	1.9	1,145	2.4
Bazhen Keli	1,010	4.2	878	2.5	1,033	2.2
Yinxingye Pian	740	3.0	591	1.6	617	1.3
Dingpeng Rugao	858	3.6	677	1.8	458	0.9
Fufang Danshen Pian	347	1.4	561	1.5	392	0.8
Chanfukang Keli	311	1.3	316	0.9	309	0.6
Mistura Glycyrrhizae Composita Oral Solution	193	0.8	238	0.6	216	0.5
Ganda Pian	367	1.5	133	0.4	196	0.4
Concentrated Divitamins and Sodium Phosphate Syrup	121	0.5	126	0.3	192	0.4
Keshu Tangjiang	70	0.3	118	0.3	123	0.3
Lingyang Ganmao Jiaonang	113	0.5	120	0.3	106	0.2
Runing Pian	90	0.4	113	0.3	99	0.2
Other products *(Note)*	804	3.3	929	2.5	654	1.3
Subtotal	**7,896**	**32.7**	**10,487**	**28.3**	**14,830**	**30.9**
Total	**24,150**	**100.0**	**37,119**	**100.0**	**47,932**	**100.0**

Note: *Other products including but not limited to xinnaojian capsule, shujin huoxie tablet, jian'er qinjie solution, sophora flavescens tablet, xiao'er jianwei syrup, huperzine A capsule, notoginseng capsule, cough-alleivating pear syrup, isatis tinctoria granule and Yinbai hepatitis drink.*

For the three years ended 31 December 2007, 2008 and 2009, the revenue for rheumatic specialty prescription western pharmaceuticals amounted to approximately USD16.3 million, USD26.6 million and USD33.1 million respectively. Pafulin and Tuoshu, our two major products, contributed more than half of our total revenue during the Track Record Period. Both of them recorded high revenue growth, with CAGR for Pafulin and Tuoshu of approximately 39.0% and 64.1% respectively from 2007 and 2009 because the demands were higher as the DMARDs market expanded due to the increase in knowledge about rheumatic autoimmune diseases which is an emerging field in the market as a result of increase educational and promotion activities. Revenue of Jinlang dropped from approximately USD3.5 million in 2008 to approximately USD2.6 million in 2009 because the marketing cost required for Jinlang is higher than that of other rheumatic specialty prescription western pharmaceuticals, so we began to focus our promotion to DMARDs products since the second quarter of 2009.

For the three years ended 31 December 2007, 2008 and 2009, the revenue for Other Pharmaceuticals amounted to approximately USD7.9 million, USD10.5 million and USD14.8 million respectively. There was an increase in demand for modern Chinese medicine extracts due to the more widespread recognition and acceptance of natural herbal medicines in the market, its revenue increased from approximately USD2.8 million in 2007 to approximately USD5.0 million in 2008 and to approximately USD9.3 million in 2009.

Cost of sales

Cost of sales consists of purchases of agency drugs and manufacturing costs of our self-manufactured drugs. Manufacturing costs of our self-manufactured drugs consists of raw material costs, packaging material costs, direct labour costs, depreciation of fixed assets and other manufacturing costs. The table below provides information regarding our cost of sales for the periods indicated:

	Year ended 31 December					
	2007		2008		2009	
	Cost	%	Cost	%	Cost	%
	(USD in thousands, except percentages)					
Agency Drugs	1,583	20.6	3,252	29.3	3,919	25.3
Self-manufactured Drugs						
Raw materials	4,328	56.2	5,365	48.4	7,690	49.6
Packing materials	923	12.0	1,061	9.6	1,203	7.8
Direct labor costs	229	3.0	407	3.7	509	3.3
Depreciation	219	2.8	369	3.3	375	2.4
Others	413	5.4	640	5.7	1,797	11.6
Subtotal	6,112	79.4	7,842	70.7	11,574	74.7
Total	7,695	100.0	11,094	100.0	15,493	100.0

For the three years ended 31 December 2007, 2008 and 2009, the purchase of agency drugs amounted to approximately USD1.6 million, USD3.3 million and USD3.9 million respectively, representing approximately 20.6%, 29.3% and 25.3% of our costs of sales respectively. The percentage contribution of purchase of agency drugs to costs of sales followed an inverted-V shaped trend, this is in line with the trend for the revenue of agency

drugs. For the three years ended 31 December 2007, 2008 and 2009, the revenue of agency drugs accounted for approximately 28.5%, 36.3% and 33.5% of our revenue respectively. During the same periods, the manufacturing cost of self-manufactured drugs amounted to approximately USD6.1 million, USD7.8 million and USD11.6 million respectively, representing approximately 79.4%, 70.7% and 74.7% of our costs of sales respectively.

Gross Profit

The table below provides information regarding our breakdown of gross profit, by product type, for the periods indicated:

	Year ended 31 December					
	2007		2008		2009	
	Gross Profit	Gross Profit margin %	Gross Profit	Gross Profit margin %	Gross Profit	Gross Profit margin %
	(USD in thousands, except percentage)					
Gross Profit by Rheumatic Specialty Prescription Western Pharmaceuticals						
Pafulin (Total Glucosides of White Peony Capsules)	7,752	82.4	11,431	82.4	15,008	82.6
Tuoshu (Leflunomide Tablets)	2,385	79.1	4,623	76.2	6,231	76.7
Jinlang (Capsaicin Ointment)	1,730	77.2	2,749	78.8	2,071	78.3
Yisuojia (Glucosamine Sulfate Capsules)	884	70.7	1,344	72.6	1,558	69.9
Liupuan (Glucosamine Potassium Sulfate Capsules)	243	72.1	978	72.1	1,388	71.9
Subtotal	**12,994**	**79.9**	**21,125**	**79.3**	**26,256**	**79.3**
Other Pharmaceuticals						
Modern Chinese Medicine Extracts	591	20.8	2,064	41.4	3,267	35.2
Indometacin Cataplasm (Biaide)	23	69.7	501	71.1	829	72.4
Bazhen Keli	561	55.5	433	49.3	590	57.1
Yinxingye Pian	624	84.3	459	77.7	451	73.1
Dingpeng Rugao	743	86.6	585	86.4	345	75.3
Fufang Danshen Pian	83	23.9	131	23.4	92	23.5
Chanfukang Keli	105	33.8	116	36.7	122	39.5
Mistura Glycyrrhizae Composita Oral Solution	51	26.4	44	18.5	36	16.7
Ganda Pian	288	78.5	39	29.3	107	54.6
Concentrated Divitamins and Sodium Phosphate Syrup	8	6.6	13	10.3	2	1.0
Keshu Tangjiang	58	82.9	100	84.7	101	82.1
Lingyang Ganmao Jiaonang	41	36.3	55	45.8	20	18.9
Runing Pian	41	45.6	57	50.4	49	49.5
Other products *(Note)*	244	30.3	303	32.6	172	26.3
Subtotal	**3,461**	**43.8**	**4,900**	**46.7**	**6,183**	**41.7**
Total	**16,455**	**68.1**	**26,025**	**70.1**	**32,439**	**67.7**

Note: Other products including but not limited to xinnaojian capsule, shujin huoxie tablet, jian'er qinjie solution, sophora flavescens tablet, xiao'er jianwei syrup, huperzine A capsule, notoginseng capsule, cough-alleivating pear syrup, isatis tinctoria granule and Yinbai hepatitis drink.

For the three years ended 31 December 2007, 2008 and 2009, the gross profit amounted to approximately USD16.5 million, USD26.0 million and USD32.4 million respectively. During the same periods, our two best selling products, namely Pafulin and Tuoshu, contributed approximately USD10.1 million, USD16.1 million and USD21.2 million respectively, representing approximately 61.6%, 61.7% and 65.5% of our gross profit respectively. Gross profit margins of our Core Business, namely rheumatic specialty prescription western pharmaceuticals, is higher than that of Other Pharmaceuticals.

Gross profit margin of Tuoshu decreased from approximately 79.1% in 2007 to approximately 76.2% in 2008 and approximately 76.7% in 2009 due to our strategy to lower our price in order to be more price competitive and increase our market share. The gross profit margins of our modern Chinese medicine extracts were unstable during the Track Record Period because we manufactured these products according to customers' requested specifications or recipes, but profit margins varied with specifications or recipes requested because raw materials used and mix up of raw materials were different.

Other income

Other income consists of government subsidies, interest income earned from loan to fellow subsidiary and on bank deposits.

Selling and distribution expenses

Selling and distribution expenses primarily consisted of: i) promotion costs through holding seminars, conferences and related expenses ii) staff costs and iii) rental expenses. The following table sets out the breakdown of selling and distribution expenses.

	Year ended 31 December		
	2007	2008	2009
		(USD in thousands)	
Seminars, conferences and related expenses	8,236	12,784	15,433
Staff costs	1,724	1,806	2,525
Rental expenses	125	171	161
Other expenses	141	48	24
Total	10,226	14,809	18,143

Seminars, conferences and related expenses were one of the major components of selling and distribution expenses, it increased from approximately USD8.2 million in 2007 to approximately USD12.8 million in 2008 and approximately USD15.4 million in 2009, the increase was in proportion with the increase of revenue over the Track Record Period.

We consider that establishing long-term relationships with pharmaceutical distributors, hospitals, doctors and patients in different regions and working closely with them to sell and market our products will remain to be an important aspect of the Group's sales strategies. We will continue to co-operate closely with distributor customers in sales and marketing activities, including to maintain direct contact with rheumatology

associations, hospitals and medical centers to whom the distributors sell, and to host seminars and conferences which the distributor customers and doctors will participate to promote and explain the use and effect of our products.

Administrative expenses

Administrative expenses primarily comprise: i) staff costs, ii) telecom and office expenses, iii) vehicle related and travelling expenses, iv) depreciation of fixed assets and amortisation expenses associated with land use rights, v) rental and management expenses, vi) taxes and surcharges and vii) provision for doubtful debts. The following table sets out the breakdown of administrative expenses.

	Year ended 31 December		
	2007	2008	2009
	(USD in thousands)		
Staff costs	1,509	2,680	2,593
Telecom and office expenses	276	383	586
Vehicle related and travelling expenses	419	681	795
Depreciation and amortisation	254	442	537
Rental and management expenses	148	185	192
Taxes and surcharges	30	140	186
Provision for doubtful debts	2,468	(662)	52
R&D expenses	12	33	302
Others	131	342	303
	5,247	4,224	5,546

Staff costs comprised more than half of the administrative expenses in 2008 and 2009. In 2007, we made an one-off provision for doubtful debts of approximately USD2.5 million after conducting an intensive review of its business, approximately USD0.7 million of the trade receivables were recovered in 2008, for which we had previously made provision.

Finance costs

Finance costs consist primarily of interest on bank borrowings as well as interest paid to banks for discounting bills.

Taxation

We are subject to PRC enterprise income taxes as our operating subsidiaries are located in China.

Shenzhen Lansen enjoyed preferential enterprise income tax rates because it operated in Shenzhen Special Economic Zone, its tax rate will increase gradually to reach the standard rate at 25% in 2012. Ningbo Liwah enjoyed preferential enterprise income tax rates because it is qualified high technology entity in the PRC, the tax rate is 15%. Liwah Zhiti met the requirements to receive the preferential tax treatment exemption from the enterprise income tax for the first two years and a 50% reduction in the enterprise income tax for the following three years, commencing from the first profitable year after offsetting

all unexpired tax losses carried forward from the previous years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in the PRC, its tax rate will reach the standard 25% in 2013.

The following table sets out the enterprise income tax rates for our principal subsidiaries in the PRC.

	2007	2008	2009	2010
Shenzhen Lansen	15.0%	18.0%	20.0%	22.0%
Ningbo Liwah	13.2%	12.5%	12.5%	15.0%
Liwah Zhiti	33.0%	0.0%	0.0%	12.5%
Ningbo Lansen	N/A	N/A	25.0%	25.0%

Combined Results of Operations

The following table sets forth financial information from our combined income statements for the three years ended 31 December 2007, 2008 and 2009. Such financial information is extracted from the Accountants' Report included in Appendix I to this prospectus and you should read the entire financial statements included therein, including the notes thereto, for more details.

	Year ended 31 December					
	2007		2008		2009	
		%		%		%
	(USD in thousands, except percentage)					
Revenue	24,150	100.0	37,119	100.0	47,932	100.0
Cost of sales	(7,695)	(31.9)	(11,094)	(29.9)	(15,493)	(32.3)
Gross profit	16,455	68.1	26,025	70.1	32,439	67.7
Other income	628	2.6	478	1.3	820	1.7
Selling and distribution expenses	(10,226)	(42.3)	(14,809)	(39.9)	(18,143)	(37.9)
Administrative expenses	(5,247)	(21.7)	(4,224)	(11.4)	(5,546)	(11.6)
Profit from operations	1,610	6.7	7,470	20.1	9,570	20.0
Finance costs	(774)	(3.2)	(1,518)	(4.1)	(667)	(1.4)
Profit before income tax	836	3.5	5,952	16.0	8,903	18.6
Income tax expense	(404)	(1.7)	(879)	(2.3)	(1,523)	(3.2)
Profit for the year	432	1.8	5,073	13.7	7,380	15.4
Dividends	1,631	6.8	2,491	6.7	6,640	13.9

Year ended 31 December 2009 compared with year ended 31 December 2008

Revenue

Revenue increased by approximately 29.1% to approximately USD47.9 million for the year ended 31 December 2009 from approximately USD37.1 million for the year ended 31 December 2008. The increase was primarily attributable to the increased sales volumes of our best selling products including Pafulin and Tuoshu as a result of increased market demand. Revenue generated from Pafulin and Tuoshu increased by approximately 31.9% to approximately USD26.3 million for the year ended 31 December 2009 from approximately USD19.9 million for the year ended 31 December 2008.

Cost of sales

Cost of sales increased by approximately 39.7% to approximately USD15.5 million for the year ended 31 December 2009 from approximately USD11.1 million for the year ended 31 December 2008. This increase was primarily due to an increase in production and sales volume of our products, thereby increasing our raw material, packaging material, direct labor costs; sale of agency drugs and depreciation.

Gross Profit

Our gross profit increased by approximately 24.6% to approximately USD32.4 million in the year ended 31 December 2009 from approximately USD26.0 million in the year ended 31 December 2008. Gross margin decreased to approximately 67.7% in 2009 from approximately 70.1% in 2008, primarily due to the decrease in gross margin of modern Chinese medicine extracts from approximately 41.4% to approximately 35.2% as a result of increase in proportion of sales of lower margin products in this business.

Other income

Other income increased by approximately 71.5% to approximately USD0.8 million for the year ended 31 December 2009 from approximately USD0.5 million for the year ended 31 December 2008. This increase was primarily due to increase in government subsidies. Income from government subsidies increased to approximately USD0.5 million in the year ended 31 December 2009, as compared to approximately USD0.1 million in the year ended 31 December 2008.

Selling and Distribution expenses

Selling and Distribution expenses increased by approximately 22.5% to approximately USD18.1 million for the year ended 31 December 2009 from approximately USD14.8 million for the year ended 31 December 2008. The increase was mainly attributable to i) an increase of approximately USD2.7 million costs of promotion through holding seminars, conferences and related expenses and ii) an increase of approximately USD0.7 million of human resources costs. Our selling and distribution expenses as a percentage of our total revenue decreased to approximately 37.9% in 2009 from approximately 39.9% in 2008, primarily due to our improved operating efficiency.

Administrative expenses

Administrative expenses increased by approximately 31.3% to approximately USD5.5 million for the year ended 31 December 2009 from approximately USD4.2 million for the year ended 31 December 2008. The increase was primarily attributable to the recovery of approximately USD0.7 million trade receivables in 2008, for which we had previously made provision.

Finance costs

Finance costs decreased by approximately 56.1% to approximately USD0.7 million for the year ended 31 December 2009 from approximately USD1.5 million for the year ended 31 December 2008. This decrease was primarily attributable to i) replacement of domestic bank borrowings with overseas bank borrowings that carried lower interest rates and ii) overall decrease in effective interest rates of both domestic and overseas bank borrowings. Effective interest rates of domestic bank borrowings decreased from approximately 7.32% in 2008 to approximately 4.32% in 2009, and those of overseas bank borrowings decreased from approximately 3.50% in 2008 to approximately 2.08% in 2009.

Taxation

Income tax expenses increased by approximately 73.3% to approximately USD1.5 million for the year ended 31 December 2009 from approximately USD0.9 million for the year ended 31 December 2008. Our effective tax rate was approximately 17.1% for the year ended 31 December 2009, compared with approximately 14.8% for the year ended 31 December 2008. Pursuant to the tax law passed by the Tenth National People's Congress on 16 March 2007, the new PRC Enterprise Income Tax ("EIT") rates for domestic and foreign enterprises in China which are currently charging at an EIT rate of 33% are unified at 25% with effect from 1 January 2008; the EIT rate for domestic and foreign enterprises in China which are currently charging at preferential rates will increase gradually to 25% in 5 years with effect from 1 January 2008. This result in the increase in statutory tax rate of one of the subsidiaries, Shenzhen Lansen, from 18% for the year ended 31 December 2008 to 20% for the year ended 31 December 2009.

Profit for the year

Profit for the period increased by approximately 45.5% to approximately USD7.4 million for the year ended 31 December 2009 from approximately USD5.1 million for the year ended 31 December 2008. Our net profit margin increased to approximately 15.4% in 2009 from approximately 13.7% in 2008, primarily due to the increase in profit was attributable to i) increase in revenue and improved operating efficiencies and ii) savings in interest expenses.

Year ended 31 December 2008 compared with year ended 31 December 2007

Revenue

Revenue increased by approximately 53.7% to approximately USD37.1 million for the year ended 31 December 2008 from approximately USD24.2 million for the year ended 31 December 2007. The increase was primarily attributable to increased sales volumes of our best selling products including Pafulin and Tuoshu as a result of increased market demand. Revenue generated from Pafulin and Tuoshu increased by approximately 60.5% to approximately USD19.9 million for the year ended 31 December 2008 from approximately USD12.4 million for the year ended 31 December 2007.

Cost of sales

Cost of sales increased by approximately 44.2% to approximately USD11.1 million for the year ended 31 December 2008 from approximately USD7.7 million for the year ended 31 December 2007. This increase was primarily due to an increase in production and sales volume of our products, thereby increasing our raw material, packaging material, direct labor costs; sale of agency drugs and deprecation.

Gross Profit

Our gross profit increased by approximately 58.2% to approximately USD26.0 million in the year ended 31 December 2008 from approximately USD16.5 million in the year ended 31 December 2007. Gross margin increased to approximately 70.1% in 2008 from approximately 68.1% in 2007, primarily due to a relative increase in revenue of rheumatic specialty prescription western pharmaceuticals, which have a higher gross margin over Other Pharmaceuticals due to the fact that the competition of rheumatic specialty prescription western pharmaceuticals was less keen.

Other income

Other income decreased by approximately 23.9% to approximately USD0.5 million for the year ended 31 December 2008 from approximately USD0.6 million for the year ended 31 December 2007. This decrease was primarily due to no service income received in the year ended 31 December 2008, as compared to approximately USD0.2 million in the year ended 31 December 2007.

Selling and Distribution expenses

Selling and Distribution expenses increased by approximately 44.8% to approximately USD14.8 million for the year ended 31 December 2008 from approximately USD10.2 million for the year ended 31 December 2007. The increase was mainly attributable to an increase of approximately USD4.5 million costs of promotion through holding seminars, conferences and related expenses. Our selling and distribution expenses as a percentage of our total revenue decreased to approximately 39.9% in 2008 from approximately 42.3% in 2007, primarily due to our improved operating efficiency.

Administrative expenses

In 2007, the Group, after an intensive review of its business, made an one-off provision for doubtful debts of approximately USD2.5 million which mainly included full provision over an amount of approximately USD1.0 million of accounts receivable for Ningbo Liwah and Shenzhen Lansen that had been carried forward from the period prior to the Group's acquisition in August 2005 as well as provision for doubtful debts for all receivables over one year in age.

Administrative expenses decreased by approximately 19.5% to approximately USD4.2 million for the year ended 31 December 2008 from approximately USD5.2 million for the year ended 31 December 2007. The decrease was primarily attributable to i) a one-off

provision of approximately USD2.5 million for impaired trade and other receivables in 2007 that did not recur in 2008; ii) our recovery of approximately USD0.7 million trade receivables in 2008, for which we had previously made provision and iii) increase of approximately USD1.2 million human resources costs mainly due to increase in staff bonus and increased in staff costs due to business expansion.

Finance costs

Finance costs increased by approximately 96.1% to USD1.5 million for the year ended 31 December 2008 from approximately USD0.8 million for the year ended 31 December 2007. This increase was primarily attributable to an overall increase in average outstanding bank borrowing from 2007 to 2008. Although we secured a new bank borrowing of USD19.5 million, that carried a lower interest rate, in mid-2008 to repay part of the domestic bank borrowings, the effect on interest savings was only reflected from the later part of the year instead of the full year of 2008.

Taxation

Our income tax expenses increased by approximately 117.6% to approximately USD0.9 million for the year ended 31 December 2008 from approximately USD0.4 million for the year ended 31 December 2007. Our effective tax rate was approximately 14.8% for the year ended 31 December 2008, compared with approximately 48.3% for the year ended 31 December 2007. The decrease in effective tax rate was primarily attributable to non-deductible expenses for provision of doubtful debts in 2007. If we exclude the provision of doubtful debts, the effective rate for 2007 was approximately 12.2%. Certain of our subsidiaries incurred losses for which no income tax was recognized in 2007. Beside, deferred tax of approximately USD0.1 million was provided for withholding in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008 under the New PRC Tax Law.

Profit for the year

Profit for the period increased to approximately USD5.1 million for the year ended 31 December 2008 from approximately USD0.4 million for the year ended 31 December 2007. Our net profit margin increased to approximately 13.7% in 2008 from approximately 1.8% in 2007, primarily due to the increase in profit was attributable to increase in revenue from the sale of high margin prescription western pharmaceuticals and effective cost control.

Analysis of balance sheet position

The following table sets forth financial information from our combined balance sheets as at 31 December 2007, 2008 and 2009. Such financial information is extracted from the Accountants' Report included in Appendix I to this prospectus and you should read the entire financial statements included therein, including the notes thereto, for more details.

	As at 31 December		
	2007	2008	2009
	(USD in thousands)		
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	12,747	13,533	16,951
Land use rights	1,930	2,026	2,398
Intangible assets	6,197	6,799	7,663
Goodwill	6,824	6,824	6,824
Loans to management	616	328	—
	28,314	29,510	33,836
CURRENT ASSETS			
Inventories	1,765	1,766	3,852
Amounts due from fellow subsidiaries	2	3,404	—
Trade and other receivables	9,769	15,672	20,592
Land use rights	41	44	53
Pledged bank deposits	5,466	878	800
Cash and cash equivalents	1,585	9,103	4,055
	18,628	30,867	29,352
TOTAL ASSETS	46,942	60,377	63,188
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital	29,491	29,491	29,491
Share premium	14	14	14
Treasury shares	(11,151)	(13,115)	(6,605)
Exchange equalisation reserve	1,738	2,823	2,787
Statutory reserve	576	576	704
Retained profits	371	2,953	3,565
TOTAL EQUITY	21,039	22,742	29,956
NON-CURRENT LIABILITIES			
Borrowings	1,924	20,570	10,407
Deferred tax liabilities	—	122	394
	1,924	20,692	10,801
CURRENT LIABILITIES			
Borrowings	14,004	2,964	8,881
Current tax liabilities	217	199	258
Dividend payables	1,226	800	—
Amount due to immediate holding company	47	—	—
Amount due to an intermediate holding company	5	—	—
Amount due to a fellow subsidiary	—	—	311
Trade and other payables	8,480	12,980	12,981
	23,979	16,943	22,431
TOTAL LIABILITIES	25,903	37,635	33,232
TOTAL EQUITY AND LIABILITIES	46,942	60,377	63,188
NET CURRENT ASSETS/(LIABILITIES)	(5,351)	13,924	6,921
TOTAL ASSETS LESS CURRENT LIABILITIES	22,963	43,434	40,757

The following table sets forth certain operating data as at 31 December 2007, 2008 and 2009:

	As at 31 December		
	2007	2008	2009
Inventory turnover days[(1)]	87	58	66
Trade receivable turnover days[(2)]	116	105	116
Trade payable turnover days[(3)]	104	103	103
Gearing ratio[(4)]	42.2%	59.6%	48.2%

Notes:

(1) calculated by dividing the average of the opening and closing balance of inventory by cost of sales, then multiplying by the number of days in the relevant period.

(2) calculated by dividing the average of the opening and closing balance of trade and bills receivable by revenue, then multiplying by the number of days in the relevant period.

(3) calculated by dividing the average of the opening and closing balance of trade and bills payables by cost of sales, then multiplying by the number of days in the relevant period.

(4) calculated by dividing total net debt (comprising long-term and short-term bank loans) over total equity times 100%.

Property, plant and equipment

Property, plant and equipment comprise buildings, plant and machinery, furniture, fixtures and equipment, motor vehicles and construction in progress. As at 31 December 2007, 2008 and 2009, property, plant and equipment amounted to approximately USD12.7 million, USD13.5 million and USD17.0 million respectively.

Land use rights

Land use rights relate to our rights to occupy and use the land on which we operate. As at 31 December 2007, 2008 and 2009, the value of our land use rights amounted to approximately USD2.0 million, USD2.1 million and USD2.5 million respectively. The increase of the value of our land use rights from 31 December 2007 to 31 December 2008 resulted from exchange adjustment of approximately USD0.1 million. The increase of the value of our land use rights from 31 December 2008 to 31 December 2009 resulted from purchase of land use right by the Group in Ningbo.

Intangible assets

Intangible assets relate to the intellectual property rights, other research and development results in relation to the products acquired for the development of pharmaceutical technology. As at 31 December 2007, 2008 and 2009, intangible assets amounted to approximately USD6.2 million, USD6.8 million and USD7.7 million respectively. The increase from 31 December 2007 to 31 December 2008 and from 31 December 2008 to 31 December 2009 primarily related to addition of intellectual property rights developed for pharmaceutical technology.

Inventories

Our inventories comprise raw materials, work in progress and finished goods. The following table sets forth our ending inventory balances as at the dates indicated.

	As at 31 December		
	2007	2008	2009
	(USD in thousands)		
Raw materials	531	514	1,339
Work in progress	353	364	647
Finished goods	881	888	1,866
Total	1,765	1,766	3,852

We actively monitor our inventory levels and seek to maintain a low level of inventory of raw materials, work in progress and finished products. We may increase the supply of raw materials when we believe the costs of raw materials and our estimates of production and sales make it prudent to do so. We have an inventory provisioning policy to assess the condition of our inventories and write off inventories when they become obsolete or damaged, or when their market value is below their carrying costs. The inventory provision for the three years ended 31 December 2007, 2008 and 2009 were approximately USD0.2 million, USD0.02 million and USD0.07 million respectively. The provision made was for impairment loss on finished goods which was considered obsolete. We did not have any inventory write down during the Track Record Period. Our combined inventory turnover days, or inventory turnover ratio, for the three years ended 31 December 2007, 2008 and 2009 was 87, 58 and 66 days respectively. The decrease in the inventory ratios from 31 December 2007 to 31 December 2008 was due to the fact that we included inventory management as one of the key performance indices for employees' appraisal. The increase in the inventory ratios from 31 December 2008 to 31 December 2009 was due to our strategy to maintain a higher level of inventories in anticipating the additional sales in 2010. As at 28 February 2010, approximately USD2.2 million of inventory balances as at 31 December 2009 was subsequently used.

Trade and other receivables

Our trade and other receivables primarily comprise trade and bills receivables from our customers. We typically grant a credit period of an average 90 days for customers. We monitor and collect trade receivables by evaluating the credit history and creditworthiness of our customers in light of our production requirements, inventory requirements and market conditions. The credit amount, credit periods and the customers to which we grant credit are approved by our management. As at 31 December 2007, 2008 and 2009, trade receivables of approximately USD0.3 million, USD0.8 million and USD0.9 million respectively, were past due but not impaired. As at 28 February 2010, approximately USD7.3 million of trade and bills receivables balances as at 31 December 2009 was subsequently settled. These relate to a number of independent customers of whom there is no recent history of default. Our sales and marketing department is in charge of periodic collection tasks and our financial department periodically verifies collection status with our sales and marketing department, monitors aging of accounts and prepares financial records.

The Directors of the Company 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 following table sets forth an aging analysis of our trade and bills receivables as at the dates indicated.

	As at 31 December		
	2007	2008	2009
	(USD in thousands)		
90 days or below	6,961	10,386	13,725
90–180 days	1,122	2,797	3,409
181–365 days	48	20	—
Over 365 days	—	12	—
Total	8,131	13,215	17,134

As at 31 December 2007, 2008 and 2009, our trade and bills receivables were approximately USD8.1 million, USD13.2 million and USD17.1 million respectively. Our turnover for trade receivables, or debtor's turnover ratio, for the years ended 31 December 2007, 2008 and 2009 was 116, 105 and 116 days respectively. The debtors' turnover days were longer than the average credit period granted to our customers during the Track Record Period primarily due to a portion of our customers making payments by bills with maturities of 90 to 180 days.

The provision for impairment of trade receivables as at 31 December 2007, 2008 and 2009 were approximately USD3.0 million, USD2.6 million and USD1.7 million respectively. The provision for impairment of trade receivable is a provision for individually impaired trade receivables which mainly relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

As at 31 December 2007, 2008 and 2009, a provision for impairment of other receivables of approximately USD1.3 million, USD1.3 million and USD1.3 million respectively, was recognized for certain long outstanding receivables as these receivables are not expected to be fully recovered. These other receivables were those that had been carried forward from the period prior to the Group's acquisition in August 2005 as well as receivables over one year in age. In 2007, we made an intensive review of our business and made an one-off provision for doubtful debts including these other receivables.

Trade and other payables

Our trade and other payables primarily include trade and bill payables, accruals and other payments to our raw material suppliers, payments of employee salaries and welfare, and payments for acquisition of property, plant and equipment and construction costs payable. For the years ended 31 December 2007, 2008 and 2009, bills payables amounted to approximately nil, USD0.3 million and USD0.6 million respectively, and were secured by the pledge of deposits.

The following table sets forth our trade and other payables as at the dates indicated.

	As at 31 December		
	2007	2008	2009
	(USD in thousands)		
Trade payables	2,632	3,309	4,610
Bills payables	—	295	559
Other[(1)]	5,848	9,376	7,812
Total	8,480	12,980	12,981

Note:

(1) Relates to staff bonus, electricity, rental costs, contingent consideration, payroll and welfare payables, value added tax payable and receipt in advance.

As at 28 February 2010, approximately USD1.7 million of trade and bills payables balances as at 31 December 2009 was subsequently settled.

We generally receive credit terms of approximately 30 to 90 days from our suppliers and we generally receive credit terms of 90 days from our raw material suppliers. The following table sets forth an aging analysis of our trade and bills payables as at the dates indicated.

	As at 31 December		
	2007	2008	2009
	(USD in thousands)		
Age			
90 days or below	1,567	1,524	2,821
91–180 days	212	713	1,422
181–365 days	550	991	450
Over 365 days	303	376	476
Total	2,632	3,604	5,169

As at 31 December 2007, 2008 and 2009, our trade and bills payables were approximately USD2.6 million, USD3.6 million and USD5.2 million respectively. Our trade and bills payables turnover days for the years ended 31 December 2007, 2008 and 2009 was 104, 103 and 103 days respectively. The turnover days for trade and bills payables during the Track Record Period was relatively stable at approximately 100 days. Although our credit terms with our major suppliers were 90 days, we were allowed to settle our payables after 120 days or to use bills to settle the credit. The bills payables will be mature within 180 days.

Contingent consideration is earnout shares earmarked for the then management team of Ningbo Liwah and Shenzhen Lansen. The issuance of earnout shares is part of the consideration payable to the then management team of Ningbo Liwah and Shenzhen Lansen for procuring the sale and purchase, and the subsequent management, of Ningbo Liwah and Shenzhen Lansen.

As at 31 December 2007, 2008 and 2009, the receipt in advance were approximately nil, USD0.2 million and USD0.1 million respectively, they were not recognized as turnover when we received. As at 28 February 2010, approximately USD40,000 had been recognized against customers' deposits that was outstanding as at 31 December 2009.

Net current assets

	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009	As at 28 February 2010
	(USD in thousands)			(unaudited)
Current assets				
Inventories	1,765	1,766	3,852	4,301
Amounts due from fellow subsidiaries	2	3,404	—	7
Trade and other receivables	9,769	15,672	20,592	22,691
Land use rights	41	44	53	53
Pledged bank deposits	5,466	878	800	1,538
Cash and cash equivalents	1,585	9,103	4,055	2,777
Total current assets	18,628	30,867	29,352	31,367
Current liabilities				
Borrowings	14,004	2,964	8,881	10,818
Current tax liabilities	217	199	258	375
Dividend payables	1,226	800	—	—
Amounts due to immediate holding company	47	—	—	—
Amount due to an intermediate holding company	5	—	—	—
Amount due to a fellow subsidiary	—	—	311	—
Trade and other payables	8,480	12,980	12,981	12,516
Total current liabilities	23,979	16,943	22,431	23,709
Net current (liabilities)/assets	(5,351)	13,924	6,921	7,658

As of 31 December 2007, we had net current liabilities of USD5.4 million, that was primarily attributable to i) a decrease in trade and other receivables resulted from the one-off provision of approximately USD2.5 million for impaired trade and other receivables, ii) an usage of approximately USD5.2 million cash for capital expenditures associated with the construction of production facilities in Ningbo, purchase of land use right and intangible assets.

We managed to return to net current assets positions subsequent to 31 December 2007 because we secured a long term bank borrowing of USD19.5 million in mid 2008 to replace the then short term bank borrowings. Borrowings due for settlement within one year decreased from approximately USD14.0 million as at 31 December 2007 to approximately USD3.0 million as at 31 December 2008.

Share capital

Share capital represents the fully paid registered capital of our wholly owned subsidiaries as at 31 December 2007, 2008 and 2009. Share capital amounted to approximately USD29.5 million, USD29.5 million and USD29.5 million as at 31 December 2007, 2008 and 2009 respectively.

Gearing ratio

Gearing ratio represents total net debt as a percentage of total equity. As at 31 December 2007, 2008 and 2009, our gearing ratios were approximately 42.2%, 59.6% and 48.2% respectively. The increase in gearing ratio as at 31 December 2008 compared to 31 December 2007 was attributable to the increase in net debt from approximately USD8.9 million to approximately USD13.6 million as well as the increase in total equity from approximately USD21.0 million as at 31 December 2007 to approximately USD22.7 million as at 31 December 2008. The decrease in gearing ratio as at 31 December 2009 compared to 31 December 2008 was attributable to an increase in total equity by approximately USD7.2 million for year ended 31 December 2009.

Current ratio and quick ratio

As at 31 December 2007, 2008 and 2009, our current ratios were approximately 0.78, 1.82 and 1.31 respectively while our quick ratios were approximately 0.70, 1.72 and 1.14 respectively. Current ratio increased from 0.78 as of 31 December 2007 to 1.82 as of 31 December 2008 and quick ratio increased from 0.70 as of 31 December 2007 to 1.72 as of 31 December 2008 because there were an increase in trade receivables as our business expanded, an increase in amounts due from fellow subsidiaries and a decrease in current portion of borrowings which were replaced by a long term overseas bank borrowings. Current ratio decreased from 1.82 as of 31 December 2008 to 1.31 as of 31 December 2009 and quick ratio increased from 1.72 as of 31 December 2008 to 1.14 as of 31 December 2009 because there were an increase in current portion of borrowings and an increase in trade payables.

Return on equity

As at 31 December 2007, 2008 and 2009, our returns on equity were approximately 2.1%, 22.3% and 24.6% respectively. Return on equity in 2007 was low because we made an one-off provision of doubtful debt of approximately USD2.5 million in 2007. We recovered approximately USD0.7 million trade receivables in 2008 out of the USD2.5 million provision made in 2007, which resulted in a higher return rate in 2008. If we exclude this provision of doubtful debt, return on equity in 2007, 2008 and 2009 would be approximately 13.8%, 19.4% and 24.6%. Return on equity increased to approximately 24.6% in 2009 primarily due to improvement of net profit as a result of increase in revenues during the year.

Return on assets

As at 31 December 2007, 2008 and 2009, our returns on assets were approximately 0.9%, 8.4% and 11.7% respectively. If we exclude the effect of the approximately USD2.5 million provision made in 2007 and recovered of approximately USD0.7 million provision in 2008, returns on assets in 2007, 2008 and 2009 would be approximately 6.2%, 7.3% and 11.7%. Our total assets increased steadily throughout the Track Record Period, while our profit increased substantially as our business expanded.

Working capital

As at 31 December 2009, our cash and cash equivalents amounted to USD4.1 million. As at 31 December 2007, our bank balances and cash amounted to approximately USD1.6 million, which has increased significantly to approximately USD9.1 million in 2008 due to increase of borrowing by approximately USD7.6 million. Taking into account the estimated net proceeds from the Share Offer, available banking facilities and cash flow from our operations, the Directors confirm that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

LIQUIDITY AND CAPITAL RESOURCES

To date, we have relied on cash flows from our operation and short- and long-term bank borrowings to fund our working capital requirements. We manage our cash flow from operating activities by effective monitoring and collection of our trade receivables. In addition, the key factors affecting our cash used in investing activities are pledged bank deposits, purchase of property, plant and equipment and purchase of land use rights. The key factors affecting our cash used in financing activities include repayment of principal and proceeds from borrowings, loan to/repayment from fellow subsidiaries and from issued of shares. We manage our cash used in financing activities by maintaining our sound financial track record to obtain bank borrowings at favorable terms and a dividend policy which takes into account profit sharing with the shareholders and the capital resources required for our further expansion and growth.

The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended 31 December		
	2007	2008	2009
	(USD in thousands)		
Combined Cash Flow Data:			
Net cash generated from operating activities	2,603	2,487	4,147
Net cash (used in)/generated from investing activities	(10,505)	3,800	(5,263)
Net cash generated from/(used in) financing activities	7,749	889	(3,879)
Net (decrease)/increase in cash and cash equivalents	(153)	7,176	(4,995)
Cash and cash equivalents, beginning of year	1,337	1,585	9,103
Effects of exchange rate changes	401	342	(53)
Cash and cash equivalents, end of year	1,585	9,103	4,055

Net cash from operating activities

Net cash from operating activities reflects profit before taxation for the year/period adjusted for non-cash items, such as interest income, interest expense, depreciation, loss on disposal of fixed assets, amortisation in respect of land use rights and intangible assets and the effects of movements in working capital, such as increases or decreases in inventories, trade and other receivables and trade and other payables, less taxation paid.

In the year ended 31 December 2009, net cash generated from operating activities was approximately USD4.1 million, compared to profit before taxation of approximately USD8.9 million. The difference was primarily attributable to an increase in inventories in the amount of approximately USD2.1 million and an increase in trade and other receivables in the amount of approximately USD5.0 million due to increased sales and an increase in trade and other payables in the amount of approximately USD2.8 million resulting from increased purchases from our suppliers to satisfy our increase on production requirement.

In the year ended 31 December 2008, net cash generated from operating activities was approximately USD2.5 million, compared to profit before taxation of approximately USD6.0 million. The difference was primarily attributable to an increase in trade and other receivables in the amount of approximately USD5.0 million due to increase in sales. Other factors include trade and other payables increased approximately USD2.3 million due to increased settlement in cash with our suppliers.

In the year ended 31 December 2007, net cash from operating activities was approximately USD2.6 million, compared to profit before taxation of approximately USD0.8 million. The difference was primarily attributable to an increase in operating profit before working capital changes due to adjustment on profits for doubtful debts of approximately USD2.5 million.

Net cash (used in)/generated from investing activities

The principal items affecting net cash (used in)/generated from investing activities have been pledged bank deposit, capital expenditures for property, plant and equipment and purchases of land use rights and intangible assets.

In the year ended 31 December 2009, net cash used in investing activities was approximately USD5.3 million, of which approximately USD4.3 million related to purchases of property, plant and equipment, approximately USD0.4 million related to purchase of land use right, approximately USD0.9 million related to development of intangible assets, which was partially offset by an interest received in the amount of approximately USD0.2 million.

In the year ended 31 December 2008, net cash generated from investing activities was USD3.8 million reflecting a decrease in pledged bank deposits in the amount of approximately USD4.6 million, which was partially offset by purchase of property, plant and equipment of approximately USD0.9 million and development of intangible assets of approximately USD0.2 million.

In the year ended 31 December 2007, net cash used in investing activities was approximately USD10.5 million, of which approximately USD3.9 million related to purchases of property, plant and equipment, approximately USD0.4 million related to development of intangible assets and approximately USD0.8 million related to purchase of land use right. The cash used in investing activities was also attributable to an increase in pledged bank deposits of approximately USD5.5 million.

Net cash generated from/(used in) financing activities

The principal items affecting net cash generated from/(used in) financing activities have been proceeds from borrowing, repayment of bank loans, proceeds from issue of shares, loans to/repayment from fellow subsidiaries and dividends paid.

In the year ended 31 December 2009, net cash used in financing activities was approximately USD3.9 million, primarily as a result of proceeds from borrowings of approximately USD9.5 million, increase in amounts due from fellow subsidiaries of approximately USD6.6 million, which was partially offset by repayment of borrowings of approximately USD3.4 million. In addition, we paid dividends in the amount of approximately USD3.3 million during the year ended 31 December 2009.

In the year ended 31 December 2008, net cash generated from financing activities was approximately USD0.9 million, reflecting proceeds from borrowings of approximately USD20.7 million, which was partially offset by dividends paid in the amount of approximately USD2.9 million, increase in amounts due from fellow subsidiaries of USD3.4 million and repayment of borrowings in the amount of approximately USD13.8 million.

In the year ended 31 December 2007, net cash generated from financing activities was approximately USD7.7 million, reflecting loan to shareholders in the amount of approximately USD0.3 million and repayment of borrowings in the amount of approximately USD1.8 million, which was partially offset by proceeds from borrowings approximately USD7.8 million.

Capital Expenditures

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

	As at 31 December		
	2007	2008	2009
	(USD in thousands)		
Fixed assets	3,944	862	4,287
Land use rights	789	—	427
Intangible assets	426	214	874
Total	5,159	1,076	5,588

We financed our capital expenditure requirements primarily through bank borrowings and cash generated from our operating activities. As part of our business strategy, we plan to continue to expand our business through organic growth as well as through acquisitions of pharmaceutical companies. Please refer to section headed "Future Plan & Use of Proceeds".

Indebtedness, Capital Commitments and Other Off-balance Sheet Arrangements

Indebtedness

Part of our operations are financed with borrowings from banks. Most of these borrowings are in the form long-term loans with fixed and floating interest rates. Our bank borrowings and cash and cash balances are denominated in Renminbi and USD. As at 28 February 2010, our total bank borrowings amounted to approximately USD21.3 million, which were due within one to five years with effective interest rates ranging from 2% to 6%. As at 28 February 2010, we had USD6.7 million of unutilised banking facilities available to use.

The following table sets forth the maturity profile of our borrowings for the periods indicated.

	As at 31 December			As at 28 February
	2007	2008	2009	2010
	(USD in thousands)			(unaudited)
Bank borrowings:				
Within one year	7,792	1,245	4,039	4,052
One to two years	962	1,844	1,340	1,340
Three to five years	962	18,726	9,067	9,146
Wholly repayable within 5 years	9,716	21,815	14,446	14,538
Other borrowings due within one year	6,212	1,719	4,842	6,766
Total	15,928	23,534	19,288	21,304

As at 28 February 2010, the borrowings consisted of secured borrowings of USD4.4 million, guaranteed borrowings of USD2.2 million, secured and guaranteed borrowings of USD10.4 million and unsecured borrowings of USD4.3 million.

The following table sets forth the effective interest rates for our bank borrowings as at the dates indicated.

	As at 31 December			As at 28 February
	2007	2008	2009	2010
				(unaudited)
Borrowings in RMB	7.20%	7.32%	4.32%	3.92%
Borrowings in USD	—	3.50%	2.08%	2.08%

Save as aforesaid or as otherwise disclosed therein, at the close of business on 28 February 2010, the Group did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there has not been any material change in the indebtedness or contingent liabilities of our Company since 28 February 2010.

Capital Commitments

	As at 31 December		
	2007	2008	2009
	(USD in thousands)		
Capital expenditure contracted for but not provided in the financial statements in respect of			
— acquisition of property, plant and equipment[1]	471	—	444
— Development of Intellectual property rights. . .	—	—	916
	471	—	1,360

Note:

(1) Relates to investments in buildings, land, and manufacturing facilities and equipment required for our expansion activities.

Contingent liabilities and commitments

	At 31 December		
	2007	2008	2009
	(USD in thousands)		
Future minimum rental payable under non-cancellable operating lease are as follows:			
Within one year	121	141	62
Between two and five years	167	62	—
	288	203	62

The Group leases certain of properties under operating leases. The leases run for an initial period of one year, with options to renew the lease terms at the expiry dates or at days as mutually agreed between the Group and the respective landlords. None of these leases includes any contingent rentals.

RELATED PARTY TRANSACTIONS

The following table sets forth the amounts we paid in significant related party transactions during the years ended 31 December 2007, 2008 and 2009.

	Year ended 31 December		
	2007	2008	2009
	(USD in thousands)		
Service income received from a fellow subsidiary[1]. .	212	—	—
Interest income received from a fellow subsidiary[2] .	—	156	213
Interest income receivable from management[3]	—	34	—
Rental fee paid to a fellow subsidiary[4]	—	(14)	(38)

Notes:

(1) The subsidiary of the Group provided design and promotional services to a fellow subsidiary. The service fees charges were on actual costs incurred with no margin gain. It was a one off transaction and non-recurring.

(2) Interest income receivable from loan to a fellow subsidiary. The loan was financed by the Group's borrowing from bank which guaranteed by fellow subsidiaries. The guarantee was released as of 31 December 2009.

(3) Interest income receivable from loan to the Group's management team.

(4) Fees paid to a fellow subsidiary for rental of hotel and meeting rooms.

Credit Risk

The Group is exposed to a variety of financial risks which result from its operating and investing activities. The Group's risk management is coordinated at its headquarters in close cooperation with the Board of Directors and focuses on actively securing the Group's short to medium term cash flows.

The Directors consider the book value of all instruments to be their fair value.

The Group's principal financial assets are bank balances and cash, trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

In other to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The credit risk on liquid funds is limited because the counterparties are reputable banks.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity Risk

The directors of the Company have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Interest rate

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. The Group currently does not have an interest rate hedging policy.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors confirm that as at the Latest Practicable Date, there were no circumstances which would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange on that date.

PROFIT FORECAST FOR THE SIX MONTHS ENDING 30 JUNE 2010

The following sets forth certain unaudited profit forecast data for the six months ending 30 June 2010. Please refer to "Profit Forecast" in Appendix III to this prospectus for further details.

Forecast consolidated net profit attributable to equity holders of the Company[(1)] . . . . . not less than USD4.8 million (equivalent to approximately HK$37.3 million)

Unaudited forecast proforma earnings per Share[(2)]. . . . . not less than US1.2 cents (equivalent to approximately HK9.3 cents)

Notes:

(1) The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this prospectus.

(2) The calculation of forecast proforma earnings per Share for the six months ending 30 June 2010 is based on the forecast consolidated net profit attributable to equity holders of the Company for the six months ending 30 June 2010 and assuming that the Share Offer had occurred on 1 January 2010 and a total of 400,000,000 Shares had been in issue during the six months ending 30 June 2010 but without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option. We have undertaken to the Stock Exchange that our interim report for the six months ending 30 June 2010 will be audited pursuant to Rule 11.18 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted net tangible assets as at 31 December 2009 comprises our historical combined net tangible assets as at 31 December 2009, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and the adjustments described below.

The statement of our unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of our financial position.

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2009 (Note 1)	**Estimated net proceeds from the Share Offer (Note 2)**	**Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company**	**Unaudited pro forma adjusted net tangible assets per Share**	**Unaudited pro forma adjusted net tangible assets per Share (Note 3)**
	USD'000	**USD'000**	**USD'000**	**USD**	**Equivalent to HK$**
Based on an Offer Price of HK$2.95 per Share . .	15,469	33,252	48,721	0.12	0.95
Based on an Offer Price of HK$3.91 per Share . .	15,469	45,035	60,504	0.15	1.18

Notes:

(1) The unadjusted audited combined net tangible assets of the Group attributable to equity shareholders of the Company as at 31 December 2009 is extracted from the Accountants' Report set out in Appendix I to this prospectus, after adjusting for goodwill and other intangible assets of approximately USD6,824,000 and USD7,663,000 respectively.

(2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK$2.95 and HK$3.91 per Share respectively, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Share which may be issued upon the exercise of Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after making the adjustments referred to in the preceding paragraph and on the basis that a total of 400,000,000 Shares were in issue (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Share Offer but without taking into account any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option).

(4) Our property interests were valued by Greater China Appraisal Limited and the valuation in respect of which was set out in Appendix IV to this prospectus. Pursuant to the valuation performed by Greater China Appraisal Limited, our property interest as at 28 February 2010 amounted to approximately USD15,720,000. Comparing the valuation amount as at 28 February 2010 to the unaudited net carrying value of our property interests as at 28 February 2010 of USD15,328,000, there was a surplus of approximately USD392,000. If such revaluation surplus was incorporated in the Group's financial statements for the year ending 31 December 2010, additional amortization and depreciation of USD9,000 would be charged. The revaluation surplus will not be reflected in the financial statements in subsequent year as we have elected to state the property interests at cost.

(5) The translation of United States dollars into Hong Kong dollars has been made at the rate of USD1 to HK$7.78. No representation is made that the United States dollars amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate, or at any other rate or at all.

DIVIDEND POLICY

For the three years ended 31 December 2007, 2008 and 2009, Lansen Pharmaceutical BVI declared approximately USD1.6 million, USD2.5 million and USD6.6 million as dividends to its then shareholders respectively. The Company also declared a dividend of approximately USD5.39 million to its then Shareholders in April 2010, and we will distribute such dividend upon or before the Listing. Our Board of Directors will determine the payment of future dividends, if any, with respect to our Shares on a per Share basis. Dividend (other than interim dividend) shall be subject to shareholders' approval. Under our Articles of Association, all of the holders of Shares have equal rights to dividends and distribution. In addition to cash, dividends may be satisfied wholly or in part by the allotment and issue of Shares.

We currently do not have a dividend policy. The declaration, payment and amount of dividends in the future will be subject to the discretion of the Board and will depend on our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that our Directors may consider relevant. Holders of our Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

PROPERTY INTERESTS AND PROPERTY VALUATION

Greater China Appraisal Limited, an independent valuer, has valued our property interests as at 28 February 2010. The full text of the letter with a summary of valuation and valuation certificates with regard to such property interests are set out in Appendix IV of this prospectus.

The table below shows the reconciliation of the net book value of the Group's property interests as at 31 December 2009 with the valuation of such interests as at 28 February 2010 as stated in Appendix IV to this prospectus.

	(USD in thousand)
Net book value of property interests of our Group as at 31 December 2009	15,267
Movements for the two months ended 28 February 2010	
Additions	68
Depreciation	(65)
Exchange adjustment	58
Net book value as at 28 February 2010	15,328
Valuation surplus as at 28 February 2010	392
Capital value of property interests of our Group as at 28 February 2010 per Appendix IV to this prospectus	15,720

DISTRIBUTABLE RESERVES

The Company was incorporated on 10 September 2009. As at 31 December 2009, there was no reserve available for distribution to the shareholders.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in our financial or trading position or prospects of the Company or its subsidiaries since 31 December 2009, being the date to which the latest audited financial statements were prepared.

FUTURE PLANS

We believe that we are well positioned to seize growth opportunities in the pharmaceutical sector in China, which is set for continued high growth. We aim to maintain and enhance our status as a leader in the DMARDs market with reputable brand recognition in the rapidly growing rheumatology market in the PRC. To achieve this goal, we seek to continue to leverage on synergies derived from our combined strong production capacities, integrated product portfolio, expertise with a focus on therapeutic treatment on rheumatic diseases in China, as well as established and highly leverageable sales and distribution network. To maintain and enhance our status as a leader in DMARDs market, we will also identify more agency drugs and leverage on our sales network for distribution. In addition, we plan to identify and acquire promising product candidates in the market. Further, we seek to develop new techniques on the production of some product candidates, and extraction of highly-concentrated active ingredients of white peony, together with the relevant invention patents application under progress.

Based on our current development progress, we expect to launch our Loxoprofen Sodium and Compound Capsaicin Ointment by the end of 2010 and also plan to increase production capacity by expanding our manufacturing facilities, including our raw materials production capacity, and improve the production techniques for our currently marketed products and new products under development. In addition, based on our current progress, the Mycophenolate Mofetil Capsules, our new agency distribution product is expected to be launched in the third quarter of 2010.

USE OF PROCEEDS

We believe that the Share Offer will raise and strengthen our corporate profile and provide us with capital resources to achieve our strategies and carry out our future plans.

The net proceeds of the Share Offer from issuance of new shares are estimated to be approximately HK$304.5 million (equivalent to approximately USD39.1 million), before exercise of the Over-allotment Option, after deducting underwriting commission and other estimated expenses and assuming an Offer Price of HK$3.43 per share, being the mid-point of the Offer Price range.

The Directors intend to use such net proceeds as follows:

- Approximately HK$91.4 million (equivalent to approximately USD11.7 million) to fund our product development and research to develop new products with therapeutic focus on rheumatic treatment and to develop new upgrade products from Pafulin with higher and broadened effectiveness in treatment of rheumatic diseases;

- Approximately HK$106.6 million (equivalent to approximately USD13.7 million) to fund potential acquisition of pharmaceutical companies we may identify in future in the PRC and/or purchase of production technologies or rights in granted approvals of new drugs;

- Approximately HK$39.6 million (equivalent to approximately USD5.1 million) to fund the expansion of our raw materials production facilities, including to increase production capacity of Total Glucosides of White Peony from the current capacity of 40 tons to 100 tons, representing a 150% increase;

- Approximately HK$39.6 million (equivalent to approximately USD5.1 million) to increase hospital coverage of our core products across first to third tier hospitals and to fund the expansion and enhancement of our sales and distribution network which we can leverage on to sell our own drugs as well as new agency drugs identified from time to time; and

- Approximately HK$27.3 million (equivalent to approximately USD3.5 million) for general working capital purpose.

The net proceeds will only be applied towards Core Business. As at the Latest Practicable Date, we have not identified any specific acquisition opportunity of pharmaceutical companies.

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders. Assuming an Offer Price of HK$3.43 per Share (being the mid-point of the Offer Price range of HK$2.95 to HK$3.91 and assuming the Over-allotment Option is not exercised), the Selling Shareholders will receive approximately HK$135.4 million (equivalent to approximately USD17.4 million), after deducting underwriting fees and other expenses relating to the Sale Share payable by the Selling Shareholders.

In the event that the Offer Price is set at the upper end and the lower end of the proposed Offer Price range, we will receive net proceeds of approximately HK$350.4 million (approximately USD45.0 million) and HK$258.7 million (approximately USD33.3 million) respectively. We will use the net proceeds based on the percentages disclosed above, regardless of whether our Shares are priced at the upper end or lower end of the proposed Offer Price range and without taking into account the proceeds to be received upon exercise of the Over-allotment Option.

The additional net proceeds that we would receive upon exercise of the Over-allotment Option in full are approximately HK$49.1 million (equivalent to approximately USD6.3 million) assuming an Offer Price of HK$3.43 per share, being the mid-point of the Offer Price range or approximately HK$42.3 million (equivalent to approximately USD5.4 million) assuming an Offer Price of HK$2.95 per share, being the lower end of the Offer Price range or approximately HK$56.0 million (equivalent to approximately USD7.2 million) assuming an Offer Price of HK$3.91 per share, being the upper end of the Offer Price range. In the event the Over-allotment Option is exercised in full, the additional net proceeds we receive will be applied to fund our product development and research to develop new products and to upgrade existing products with therapeutic focus on rheumatic treatment.

To the extent that the aggregate net proceeds of the Share Offer are not immediately required for funding of the above purposes, we may hold such funds in short term demand deposits or apply such funds towards reducing the balance of our revolving loans which can be redrawn when required for as long as we deem it to be in our best interest.

UNDERWRITERS

Public Offer Underwriters

Piper Jaffray Asia Securities Limited
First Shanghai Securities Limited
DBS Asia Capital Limited
Fubon Capital (HK) Limited
OSK Securities Hong Kong Limited
Taifook Securities Company Limited

Placing Underwriters

Piper Jaffray Asia Securities Limited
First Shanghai Securities Limited
DBS Asia Capital Limited
Fubon Capital (HK) Limited
OSK Securities Hong Kong Limited
Taifook Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, the Company is offering 14,135,000 Shares for subscription by the public in Hong Kong subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to, among other conditions, (i) the granting of the listing of and permission to deal the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee at or before 5:00 p.m. on 6 May 2010 (or such other date as the Company and the Sole Lead Manager (on behalf of the Underwriters) may agree) and (ii) certain other conditions set out in the Public Offer Underwriting Agreement (including the Company (for itself and on behalf of the Selling Shareholders) and the Sole Bookrunner (on behalf of the Underwriters) agreeing on the Offer Price and the execution and delivery of the Placing Underwriting Agreement and becoming unconditional), the Public Offer Underwriters have severally agreed to procure applications for their respective applicable proportions of the Public Offer Shares being offered or, failing which, to apply for such Public Offer Shares themselves on the terms and conditions as set out in the Public Offer Underwriting Agreement.

Grounds for termination

The Sole Lead Manager (on behalf of the Public Offer Underwriters) may in its absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to the Company at any time at or before 8:00 a.m. on the Listing Date ("**Termination Time**") if:

(A) there comes to the notice of the Sole Lead Manager or any of the Public Offer Underwriter:

(1) any matter or event showing any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any respect when given or repeated or there has been a breach of any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement or any other provisions of the Public Offer Underwriting Agreement by any party thereto other than the Public Offer Underwriters which, in any such cases, is considered, in the sole absolute opinion of the Sole Lead Manager, to be material in the context of the Share Offer; or

(2) any statement contained in this prospectus, the Application Forms, the formal notice and any announcements in the agreed form issued by the Company in connection with the Public Offer (including any supplement or amendment thereto) has become or been discovered to be untrue, incorrect or misleading in any respect and is considered in the sole absolute opinion of the Sole Lead Manager to be material; or

(3) any event, series of events, matter or circumstance occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being event, matter or circumstance which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement untrue, incorrect or misleading in any respect, and which is considered, in the sole absolute opinion of the Sole Lead Manager to be material in the context of the Share Offer; or

(4) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole absolute opinion of the Sole Lead Manager, a material omission in the context of the Share Offer; or

(5) any event, act or omission which gives or is likely to give rise to any liability of a material nature of the Company, the Selling Shareholders, the executive Directors, the Controlling Shareholder arising out of or in connection with any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement; or

(6) any breach by any party to the Public Offer Underwriting Agreement other than the Sole Sponsor and the Public Offer Underwriters of any provision of Public Offer Underwriting Agreement which, in the sole absolute opinion of the Sole Lead Manager, is material; or

(7) a valid demand by any creditor for repayment or payment of any indebtedness of the Company or any member of the Group or in respect of which the Company or any member of the Group is liable prior to its stated maturity which materially affects the business, financial or other condition of the Company; or

(8) a petition is presented for the winding-up or liquidation of the Company or any member of the Group or the Company or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of the Company or any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or any member of the Group or anything analogous thereto occurs in respect of the Company or any member of the Group; or

(9) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld,

(B) there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

(1) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the PRC or any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the Group; or

(2) any change or development involving a prospective change in the local, regional or international financial, currency, political, military, industrial, economic, currency market, exchange control or regulatory condition or our monetary trading settlement system, stock market or other market conditions or prospects Hong Kong, the Cayman Islands, the PRC or any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the Group; or

(3) any change in the conditions of the U.S., Hong Kong, the PRC or international equity securities or other financial markets; or

(4) the imposition of any moratorium, suspension or restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or

(5) any change or development involving a prospective change in all forms of taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, the PRC or any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the Group; or

(6) any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of the Group; or

(7) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the U.S. or by the European Union (or any member thereof) on Hong Kong or the PRC; or

(8) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or

(9) any event or series of events in the nature of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, tsunami, fire, flood, explosion, terrorism (whether or not responsibility has been claimed), strike or lock-out epidemic, outbreak of diseases and epidemic (including but not limited to H1N1 flu, severe acute respiratory syndrome and H5N1 and other related or mutated forms); or

(10) any litigation or claim of material importance of any third party being instigated against any member of the Group; or

(11) any executive 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; the chairman or chief executive officer of the Company vacating his office in circumstances where the operations of the Group may be adversely affected; the commencement by any regulatory or political body or organization of any action against an executive Director or an announcement by any regulatory or political body or organization that it intends to take any such action;

which, in the sole absolute opinion of the Sole Lead Manager (for itself and on behalf of other Public Offer Underwriters):

(i) is or may be, or is likely to be, adverse, in any material respect, to the business, financial or other condition or prospects of the Group; or

(ii) has or may have or is likely to have an adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or market price of the Shares following the Listing; or

(iii) for any other reason makes it impracticable, inadvisable or inexpedient for the Underwriters to proceed with the Share Offer as a whole or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus.

For the above purpose:

(1) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or a devaluation of the Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and

(2) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

Similar events are expected to be contained in the Placing Underwriting Agreement that may allow the Placing Underwriters to terminate their respective obligations thereunder.

Undertakings

1. The Company has undertaken to the Sole Sponsor and the Public Offer Underwriters that, and the Controlling Shareholder and the executive Directors has undertaken to the Sole Sponsor and the Public Offer Underwriters to procure that, without prior written consent of the Sole Lead Manager (such consent not to be unreasonably withheld), subject always to the requirements of the Stock Exchange, save for the Offer Shares, the grant of the Over-allotment Option, and any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or any capitalization issue, consolidation, sub-division or capital reduction of Shares, neither the Company nor any of its subsidiaries shall (i) issue or agree to issue any shares in the Company or any subsidiary of the Company or grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise acquire any securities of the Company or any subsidiary of the Company during the period commencing from the date of this prospectus and ending six months from the Listing Date ("**First Six-Month Period**"); (ii) issue or agree to issue any of the Shares or other interests in the Company referred to in (i) above during the six-month period commencing immediately after the expiry of the First Six-Month Period (the "**Second Six-Month Period**") if, immediately following such issue, the Controlling Shareholder would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; or (iii) during the First Six-Month Period, purchase any shares or securities of the Company.

2. The Controlling Shareholder has undertaken to the Company, the Sole Sponsor and the Public Offer Underwriters that:

   (a) it shall not and shall procure that the relevant registered holder(s) of the Shares (if applicable) shall not dispose of nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance in respect of, any of his direct and indirect interest in the Shares in respect of which it or he is shown in this prospectus to be the beneficial owner(s) (the "**Relevant Securities**") (save for pursuant to a pledge or charge as security for a bona fide commercial loan in which case it shall inform the Company, the Sole Lead Manager and the Sole Sponsor) during the First Six-Month Period; and

   (b) it shall not and shall procure that the relevant registered holder(s) of the Shares (if applicable) shall not during the Second Six-Month Period dispose of, nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance in respect of, any of its or his direct and indirect interest in the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it will cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company (save for pursuant to a pledge or charge as security for a bona fide commercial loan in which case it shall inform the Company, the Sole Lead Manager and the Sole Sponsor).

3. The Controlling Shareholder has undertaken to the Company, the Sole Sponsor and the Public Offer Underwriters that, within the period of 12 months from the Listing Date, it will:

   (a) when it pledges/charges any securities or interests in the securities of the Company beneficially owned by it, whether directly or indirectly, immediately inform the Company of such pledges/charges together with the number of Shares so pledged/charged; and

   (b) when it receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged securities or interests in the securities of the Company will be disposed of, immediately inform the Company of such indications.

The Company shall inform the Stock Exchange in writing as soon as it has been informed of any such event by the Controlling Shareholder and disclose such event by way of an announcement as soon as possible in accordance with the requirements of the Listing Rules.

Placing

In connection with the Placing, it is expected that the Company, the Selling Shareholders, the executive Directors, the Sole Sponsor, the Sole Lead Manager and the Controlling Shareholder will enter into the Placing Underwriting Agreement with the Placing Underwriters, on terms and conditions that are substantially similar to the Public

Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or purchase or procure subscribers or purchasers for the Placing Shares offered pursuant to the Placing.

Total commission, fee and expenses

In connection with the Share Offer, the Underwriters will receive an underwriting commission of 3.5% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling concessions. For unsubscribed Public Offer Shares reallocated to the Placing, the Company and the Selling Shareholders will pay to the Placing Underwriters an underwriting commission in proportion to the number of Offer Shares issued or sold by each of them under the Share Offer at the rate applicable to the Placing Shares.

In connection with the Share Offer, the Sole Sponsor will receive a financial advisory (sponsorship) and documentation fee. Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK$3.43 being the mid-point of the Offer Price range of HK$2.95 to HK$3.91, the underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and professional fees together with printing and advertising costs, and other expenses relating to the Share Offer are estimated to amount to about HK$38.5 million in total.

The Company, the Selling Shareholders and the executive Directors have agreed jointly and severally to indemnify the Public Offer Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Public Offer Underwriting Agreement, and any breach by the Company of the Public Offer Underwriting Agreement. Similar indemnities are expected to be given by the Company to the Placing Underwriters under the Placing Underwriting Agreement.

Underwriters' interests in the Company

Save for the obligations and the interests under the Underwriting Agreements as disclosed above, none of the Underwriters is interested legally or beneficially in any shares in any member of the Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

Sole Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor as regulated under Rule 3A.07 of the Listing Rules.

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. Assuming the Over-allotment Option is not exercised, the total number of Offer Shares under the Placing and the Public Offer is 141,350,000 Shares. 127,215,000 Shares, representing approximately 90% of the total number of Shares initially available under the Share Offer, will initially be offered for subscription under the Placing; and 14,135,000 Shares, representing approximately 10% of the total number of Shares initially available under the Share Offer, will be offered under the Public Offer.

Investors may apply for Shares under the Public Offer or indicate an interest for Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. The Placing will involve selective marketing of the Placing Shares to professional and institutional investors and other private investors which generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Assuming the Over-allotment Option is not exercised, the Offer Shares will represent approximately 35.33% of the enlarged issued share capital of the Company immediately after completion of the Share Offer. If the Over-allotment Option is exercised in full, the Offer Shares comprised in the Share Offer will represent about 37.67% of the enlarged issued share capital of the Company immediately after the completion of the Share Offer and the Over-allotment Option.

The Public Offer is fully underwritten by the Public Offer Underwriters and the Placing is fully underwritten by the Placing Underwriters, in each case, on a several basis, and each being subject to the conditions set out in the section headed "Underwriting" in this prospectus.

In particular, the Sole Lead Manager (on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholders) must agree on the Offer Price.

PRICE PAYABLE ON APPLICATION

Applicants shall have to pay on application the maximum Offer Price of HK$3.91 per Offer Share plus 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee. This means that for every 1,000 Offer Shares, the amount payable by the subscriber is HK$3,949.46. Each Application Form includes a table showing the exact amount payable for certain numbers of Offer Shares.

CONDITIONS OF THE SHARE OFFER

Acceptance of all application for the Offer Shares under the Share Offer is conditional upon the fulfillment of the following conditions:

(a) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any Shares which may fall to be issued upon the exercise of the Over-allotment Option, and such listing and permission not subsequently being revoked prior to the Listing;

(b) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date;

(c) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional, including, if relevant, as a result of the waiver of any conditions by the Sole Lead Manager (on behalf of the Underwriters), and not being terminated in accordance with its terms or otherwise; and

(c) the Offer Price having been duly determined between us (for ourselves and on behalf of the Selling Shareholders) and the Sole Lead Manager (on behalf of the Underwriters),

unless and to the extent such conditions are validly waived on or before such times and dates specified in the Underwriting Agreements, and in any event not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in a accordance with their respective terms.

In the event that the Share Offer does not become unconditional, the Share Offer will lapse and a press announcement will be made by the Company as soon as possible. In that event, your application money will be returned to you as soon as possible without interest. The terms for refund of money are set out under the paragraph headed "Refund of application money" on the Application Forms. In the meantime, such application money will be held in one or more separate bank account(s) with the receiving bankers or any other licensed bank or banks in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

PRICING

The Offer Price is expected to be fixed by agreement between the Company (for itself and on behalf of the Selling Shareholders) and the Sole Lead Manager (on behalf of the Underwriters), on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, 30 April 2010 and, in any event, by Monday, 3 May 2010 (Hong Kong time).

The Offer Price will be not more than HK$3.91 per Offer Share and is expected to be not less than HK$2.95 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

The Sole Lead Manager (on behalf of the Underwriters) may, where it considers appropriate based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, reduce the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer on Friday, 30 April 2010, cause to be published on the website of the Stock Exchange at ***www.hkexnews.hk*** notices of the reduction of the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Lead Manager (on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholders), will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offering statistics as currently set out in the section headed "Summary" and any other financial information which may change as a result of such reduction.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants under the Public Offer should note that if the applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications cannot subsequently be withdrawn. Upon the issuance of such notice, the revised number of Offer Shares and/or the revised Offer Price range will be final and conclusive. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range.

In the absence of any notice published in relation to the reduction in the Offer Price, the Offer Price, if agreed upon with the Company (for itself and on behalf of the Selling Shareholders) and the Sole Lead Manager (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus and the number of Offer Shares will under no circumstances be fewer than the number as stated in this prospectus.

If, for any reason, the Offer Price is not agreed between the Company (for itself and on behalf of the Selling Shareholders) and the Sole Lead Manager (on behalf of the Underwriters) on or before Monday, 3 May 2010 (Hong Kong time), the Share Offer (including the Public Offer) will not proceed subject to the Underwriting Agreements.

OFFER MECHANISM — BASIS OF ALLOCATION OF THE OFFER SHARES

The Share Offer

The Share Offer consists of the Placing and the Public Offer. The 141,350,000 Shares initially offered will comprise 127,215,000 Shares being offered under the Placing and 14,135,000 Shares being offered under the Public Offer. The 141,350,000 Shares being offered under the Share Offer will represent approximately 35.33% of the Company's enlarged share capital immediately after completion of the Share Offer (without taking into account the exercise of the Over-allotment Option).

Subject to possible reallocation on the basis set forth below, 14,135,000 Shares, representing approximately 10% of the total number of Shares initially being offered under the Share Offer, will be offered to the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors.

Out of the total 141,350,000 Shares offered pursuant to the Share Offer, 127,215,000 Shares, representing approximately 90% of the total number of Shares initially being offered under the Share Offer, will be placed with professional and institutional investors in Hong Kong and elsewhere under the Placing. The Placing Shares will be offered in Hong Kong, and other jurisdictions outside the United States.

In connection with the Share Offer, it is expected that under the Placing Underwriting Agreement, the Company will grant to the Placing Underwriters the Over-allotment Option, exercisable by the Sole Bookrunner (on behalf of the Placing Underwriters) at any time during the period commencing from the Listing Date until 30 May 2010, being the 30th day after the last day for lodging of applications under the Public Offer. Pursuant to the Over-allotment Option, the Sole Bookrunner has the right, but not the obligation, to require the Company to allot and issue up to 15,000,000 additional new Shares, representing 15% of the number of new Shares initially being offered under the Share Offer, to cover over-allocations in the Placing. The Sole Bookrunner may also cover any over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangement from holder of Shares or exercise, in part or in full, of the Over-allotment Option, or by a combination of these means or otherwise as may be permitted under applicable law. The number of Shares that may be over-allocated will not exceed the maximum aggregate number of Shares that may be issued by the Company under the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, on completion of the Share Offer, the Offer Shares will represent about 37.67% of the enlarged issued share capital of the Company.

If the Sole Bookrunner (on behalf of the Placing Underwriters) decides to exercise the Over-allotment Option, it will be exercised solely to cover over-allocations in the Placing. The Placing Shares (including any over-allocations) will be allocated prior to the commencement of trading of the Shares on the Stock Exchange.

The levels of indication of interest in the Placing and the basis of allotment and the results of application under the Public Offer are expected to be available through a variety of channels, including the websites of the Stock Exchange (***www.hkexnews.hk***) and the Company (***www.lansen.com.cn***), as described under the paragraph headed "Publication of results" in the section headed "How to apply for the Public Offer Shares" in this prospectus on Thursday, 6 May 2010.

The net proceeds of the Share Offer to be received by the Company, after deducting commissions and expenses and assuming an Offer Price of HK$3.43 per Share (being the mid-point of the stated range of the Offer Price between HK$2.95 to HK$3.91 per Share) and that the Over-allotment Option is not exercised at all, are estimated to be about HK$304.5 million (equivalent to approximately USD39.1 million). If the Over-allotment Option is exercised in full, the Company would receive additional net proceeds (after deducting commissions and expenses attributable to the exercise of the Over-allotment Option) of about HK$49.1 million (equivalent to approximately USD6.3 million).

The Placing

The Placing initially comprises 127,215,000 Shares (comprising 85,865,000 new Shares and 41,350,000 Sale Shares), representing in aggregate approximately 90% of the total number of Offer Shares initially available under the Share Offer, subject to the clawback arrangement, reallocation and the exercise of the Over-allotment Option as mentioned in the paragraph headed "Over-subscription and the Over-allotment Option" below. Investors subscribing for or purchasing the Placing Shares are also required to pay 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee. Piper Jaffray Asia Securities is the Sole Bookrunner and the Sole Lead Manager of the Placing and the Placing is fully underwritten by the Placing Underwriters, subject to the terms and conditions of the Placing Underwriting Agreement, including the Company (for itself and on behalf of the Selling Shareholders) and the Sole Lead Manager (on behalf of the Underwriters) agreeing on the Offer Price.

It is expected that the Placing Underwriters or selling agents nominated by them on behalf of the Company will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and investors in Hong Kong and certain other jurisdictions outside the U.S. The Placing Shares may also be allocated to individual investors in Hong Kong and certain other jurisdictions outside the U.S. to the extent that the relevant securities laws and requirements are complied with. Allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level of demand, the 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 acquire further Shares, and/or hold or sell its Shares after the commencement of dealings in the Shares on the Main Board of the Stock Exchange. Such allocation is intended to result

in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid institutional and professional shareholders base to the benefit of the Company and its shareholders as a whole. Investors who have been allocated any Placing Shares will not be allocated any Public Offer Shares. Similarly, investors who are allocated any Public Offer Shares will not be allocated Placing Shares under the Placing.

The total number of Placing Shares may change as a result of the clawback arrangement referred to under "Over-subscription and the Over-allotment Option" below, reallocation of unsubscribed Public Offer Shares originally included in the Public Offer to the Placing as mentioned under "The Public Offer" below, and reallocation of untaken Placing Shares to the Public Offer.

The Public Offer

The Company is initially offering 14,135,000 Public Offer Shares under the Public Offer, at the Offer Price, representing in aggregate 10% of the total number of the Offer Shares initially available under the Share Offer, for subscription by way of a public offer in Hong Kong, subject to the clawback arrangement as mentioned under "Over-subscription and the Over-allotment Option" below. The Public Offer is lead-managed by the Sole Lead Manager and is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement, including the Company (for itself and on behalf of the Selling Shareholders) and the Sole Lead Manager (on behalf of the Public Offer Underwriters) agreeing on the Offer Price. Applicants for the Public Offer Shares are required to pay on application the Offer Price plus 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee.

The Public Offer is open to all members of the public in Hong Kong. Persons allotted Shares under the Public Offer cannot apply for Shares under the Placing. The Public Offer will be subject to the conditions stated under "Conditions of the Share Offer" above.

Allocation of the Public Offer Shares to applicants under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by each applicant. However, this may involve balloting, which would result in some applicants being allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares, and applicants who are not successful in the ballot not receiving any Public Offer Shares.

If the Public Offer is not fully subscribed, the Sole Lead Manager will have the absolute discretion to reallocate all or any unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as they deem appropriate.

The total number of Public Offer Shares to be allotted and issued pursuant to the Public Offer may also change as a result of the clawback arrangement referred to under "Over-subscription and the Over-allotment Option" below.

Basis of allocation of the Public Offer Shares

There will initially be a total of 14,135,000 Public Offer Shares available for subscription under the Public Offer by way of submitting the **WHITE** and **YELLOW** application forms or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service (***www.hkeipo.hk***). For allocation purposes only, the number of the Public Offer Shares will be divided into two pools: pool A and pool B. The Public Offer Shares in pool A will consist of 7,068,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of HK$5 million (excluding 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee payable thereon) or less. The Public Offer Shares available in pool B will consist of 7,067,000 Shares and will be allocated on an equitable basis to applicants who have applied for Public Offer Shares in the value of more than HK$5 million (excluding 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee) and up to the total initial value of pool B.

Investors should be aware that allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is under-subscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 7,067,000 Shares under the Public Offer will be rejected.

OVER-SUBSCRIPTION AND THE OVER-ALLOTMENT OPTION

The allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment.

If the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available under the Public Offer, then the number of Shares available under the Public Offer will increase to 42,405,000 Shares, (and the number of Shares available under the Placing will correspondingly decrease) representing approximately 30% of the total number of Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised).

If the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Share available under the Public Offer will increase to 56,540,000 Shares, representing approximately 40% of total number of Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised).

If the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the Placing will be increased so that the

total number of Shares available under the Public Offer will increase to 70,675,000 Shares, representing approximately 50% of the total number of Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised).

In each such case, the additional Shares reallocated to the Public Offer will be allocated between pool A and pool B and the number of Shares allocated to the Placing will be correspondingly reduced.

It is expected that pursuant to the Placing Underwriting Agreement, the Company will grant the Over-allotment Option to the Placing Underwriters, exercisable by the Sole Bookrunner (on behalf of the Placing Underwriters) at any time within a period commencing from the Listing Date until 30 May 2010, being the 30th day after the last day for lodging of applications under the Public Offer. Pursuant to the Over-allotment Option, the Sole Bookrunner has the right, but not the obligation, to require the Company to allot and issue up to 15,000,000 additional new Shares (representing 15% of the total number of new Shares initially being offered under the Share Offer), at the Offer Price to cover over-allocations in the Placing. If the Over-allotment Option is exercised, the Shares issued or offered under the Over-allotment Option will be allocated to placees at the sole discretion of the Sole Bookrunner and announcement will be made.

STABILIZATION

In connection with the Share Offer, the Sole Bookrunner as stabilising manager, or any person acting for it, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions, if commenced, may be discontinued at any time. The Sole Bookrunner has been or will be appointed as stabilising manager for the purposes of the Share Offer in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO and, should stabilising transactions be effected in connection with the Share Offer, this will be at the absolute discretion of the Sole Bookrunner. An announcement will be made to the public within seven days after the end of the stabilising period as required under the Securities and Futures (Price Stabilising) Rules made under the SFO.

Following any over-allocation of Shares in connection with the Placing, the Sole Bookrunner or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market or exercising the Over-allotment Option in full or in part, or by any combination of purchases and exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements including the Securities and Futures (Price Stabilising) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold upon exercise of the Over-allotment Option, being 15,000,000 Shares, representing 15% of the number of new Shares initially available under the Share Offer.

In order to facilitate the settlement of over-allocations in connection with the Placing, the Sole Bookrunner (or its affiliate(s)) may choose to borrow up to 15,000,000 Shares from CI Pharma China under stock borrowing arrangement, or acquire Shares from other

sources, pending the exercise of the Over-allotment Option. Such stock borrowing arrangement will not be subject to the restrictions of Rule 10.07(1) of the Listing Rules provided that the following requirements as set out in Rule 10.07(3) of the Listing Rules are complied with:

(a) the stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

(b) the maximum number of Shares to be borrowed from CI Pharma China by the Sole Bookrunner is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;

(c) the same number of Shares so borrowed will be returned to CI Pharma China or its nominees, as the case may be, not later than three business days following the last day on which the Over-allotment Option may be exercised; or if earlier, the date on which the Over-allotment Option is exercise in full;

(d) the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with the Listing Rules, applicable laws and other regulatory requirements; and

(e) no payment will be made to CI Pharma China by the Sole Bookrunner in relation to the stock borrowing arrangement.

The possible stabilizing action which may be taken by the Sole Bookrunner in connection with the Share Offer may involve (among other things) (i) over-allocation of Shares, (ii) purchases of Shares, (iii) establishing, hedging and liquidating positions in Shares, (iv) exercising the Over-allotment Option in whole or in part and/or (v) offering or attempting to do any of the foregoing. The stabilizing period is expected to end within 30 days after the last day for the lodging of applications under the Public Offer.

Specifically, prospective applicants for and investors in Offer Shares should note that:

- the Sole Bookrunner may, in connection with any stabilizing action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time period for which the Sole Bookrunner will maintain such a position;

- liquidation of any such long position by the Sole Bookrunner may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on 30 May 2010, being the 30th day after the date expected to be the last

date for lodging applications under the Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of any security (including the Shares) cannot be assured to stay at or above its Offer Price by the taking of any stabilizing action; and

- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

There are three ways to make an application for Public Offer Shares. You may either (i) use a **white** or **yellow** Application Form; (ii) apply online through the designated website of the **HK eIPO White Form** Service Provider (***www.hkeipo.hk***); or (iii) electronically instruct HKSCC to cause HKSCC Nominees to apply for Public Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **white** or **yellow** Application Form or applying online through **HK eIPO White Form** Service or by giving **electronic application instructions** to HKSCC.

WHICH APPLICATION METHOD TO USE

- Use a **white** Application Form or **HK eIPO White Form** Service if you want the Public Offer Shares issued in your own name in physical certificate(s).

- Use a **yellow** Application Form if you want the Public Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

- Instead of using a **yellow** Application Form, you may **electronically** instruct HKSCC to cause HKSCC Nominees to apply for Public Offer Shares on your behalf via CCASS. Any Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

You may not apply both on white or yellow application form and give electronic application forms to HKSCC or to the designated HK eIPO White Form Service Provider through **HK eIPO White Form** service (***www.hkeipo.hk***).

Our Offer Shares are not available to our Directors, chief executive or any of their respective associates (as defined in the Listing Rules).

WHERE TO COLLECT APPLICATION FORMS

You can collect a **white** Application Form and our prospectus during normal business hours from 9:00 a.m. on Tuesday, 27 April 2010 till 12:00 noon on 30 April 2010 from:

Any of the following addresses of the Public Offer Underwriters:

Piper Jaffray Asia Securities Limited	3901B, 39/F, Tower 1, Lippo Centre 89 Queensway, Hong Kong
First Shanghai Securities Limited	19/F, Wing On House, 71 Des Voeux Road Central, Hong Kong
DBS Asia Capital Limited	22nd Floor, The Center, 99 Queen's Road Central, Hong Kong

Fubon Capital (HK) Limited	17/F Central Tower, 28 Queen's Road Central, HK
OSK Securities Hong Kong Limited	12/F., World-Wide House, 19 Des Voeux Road Central, Hong Kong
Taifook Securities Company Limited	25/F New World Tower, 16–18 Queen's Road Central, Central, Hong Kong

or any of the following branches of **The Bank of East Asia, Limited**:

Hong Kong Island:	Main Branch	10 Des Voeux Road Central, HK
	Queen's Road Central Branch	Shop A–C, G/F, Wah Ying Cheong Central Building, 158–164 Queen's Road Central
	399 Hennessy Road Branch	G/F, Eastern Commercial Centre, 399 Hennessy Road, Wanchai
	Taikoo Shing Branch	Shop G1010–1011, Yiu Sing Mansion
	United Centre Branch	Shop 1007–1008, 1/F, United Centre, 95 Queensway
Kowloon:	Yaumatei Branch	G/F, 526 Nathan Road
	Tsim Sha Tsui Branch	Shop A & B, Milton Mansion, 96 Nathan Road
	Kwun Tong Branch	7 Hong Ning Road
New Territories:	Tuen Mun Town Plaza Branch	Shop 2–10, UG/F, Tuen Mun Town Plaza Phase II, 3 Tuen Lung Street, Tuen Mun
	Tsuen Wan Branch	239–243 Sha Tsui Road

or any of the following branches of **Wing Lung Bank Limited**:

Hong Kong Island:	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
	North Point Branch	361 King's Road
	Aberdeen Branch	201 Aberdeen Main Road
Kowloon:	Mongkok Branch	B/F Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
	Lamtin Sceneway Plaza Branch	Shop 59, 3/F Sceneway Plaza, 8 Sceneway Road
	San Po Kwong Branch	8 Shung Ling Street
New Territories:	Shatin Plaza Branch	21 Shatin Centre Street
	Sheung Shui Branch	128 San Fung Avenue

You can collect a **yellow** Application Form and this prospectus during normal business hours from 9:00 a.m. on Tuesday, 27 April 2010 till 12:00 noon on Friday, 30 April 2010 from the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong, or your broker, who may have application forms and the prospectus available.

WHO CAN APPLY FOR PUBLIC OFFER SHARES

(a) You, the applicant(s), and any person(s) for whose benefit you are applying, must be 18 years of age or older and must have a Hong Kong address.

(b) If you are a **firm**, the application must be in the names of the individual members, not in the name of the firm. The number of joint applicants may not exceed four.

(c) If your are a **body corporate**, the application must be signed by a duly authorized officer, who must state his or her representative capacity.

(d) Save under the circumstances permitted by the Listing Rules, you **cannot** apply for any Public Offer Shares if you are or any person(s) for whose benefit you are applying are/is:

- an existing beneficial owner of the Shares in the Company;
- the chief executive or a director of the Company or any of its subsidiaries;
- a connected person of the Company or a person who will become a connected person of the Company immediately upon completion of the Placing and Public Offer;
- an associate of any of the above; or
- have been allocated or have applied for the Placing Shares under the Placing or otherwise participated in the Placing or indicated an interest for the Placing Shares.

(e) You cannot apply for any Public Offer Shares if you are or any person(s) for whose benefit you are applying are/is:

- a legal or natural person of the PRC;
- a United States person (as defined in Regulation S under the U.S. Securities Act); or
- a person who does not have a Hong Kong address.

HOW TO COMPLETE WHITE OR YELLOW APPLICATION FORMS

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.

If your application is made through a duly authorized attorney, we and the Sole Lead Manager will have discretion to accept it, subject to any conditions we think fit, including evidence of authority of your attorney.

You should note that, by completing and submitting the Application Form, you (and if you are joint applicants, each of you jointly and severally), for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee, among other things:

(i) confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;

(ii) agree that we, the Sole Sponsor, the Sole Lead Manager, the Public Offer Underwriters and any of our or their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer are liable only for the information and representations contained in this prospectus and any supplement thereto;

(iii) undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application (if any) have not indicated an interest for, applied for or taken up any Placing Shares otherwise participated in the Placing; and

(iv) you agree to disclose to our Company and/or our Hong Kong Share Registrar, the receiving bankers, the Sole Lead Manager, the Public Offer Underwriters and their respective advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application (if any).

In order for the **YELLOW** application forms to be valid:

(a) if the application is made through a designated CCASS Participant, other than a CCASS Investor Participant, the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box;

(b) if the application is made by an individual CCASS Investor Participant:

(i) the application form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and

(ii) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the application form;

(c) if the application is made by a joint individual CCASS Investor Participant:

(i) the application form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers; and

(ii) the participant I.D. should be inserted in the appropriate box in the application form;

(d) if the application is made by a corporate CCASS Investor Participant:

(i) the application form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and

(ii) the participant I.D. and company chop, bearing the applicant's company name, must be inserted in the appropriate box in the application form.

Incorrect or omission details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid. You as the applicant(s), must complete the form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each application form in the box marked "For nominees" account numbers or other identification code for each beneficial owner or, in the case of joint beneficial owners, for each such joint beneficial owner.

Each **WHITE** or **YELLOW** application form must be accompanied by either one separate cheque drawn on the applicant's Hong Kong dollar bank account in Hong Kong and bearing the account name (either pre-printed by the bank or certified by an authorised signatory of such bank on the reverse of the cheque) which must correspond with the name of the applicant (or, in the case of joint applicants, the name of the first applicant) on the relevant application form, or one separate banker's cashier order on the reverse of which the bank has certified by an authorised signatory the name of the applicant, which must correspond with the name of the applicant (or, in the case of joint applicants, the name of the first applicant) on the relevant application form. All such cheques or banker's cashier orders must be made payable to "The Bank of East Asia (Nominees) Limited — Lansen Pharma Public Offer", as set out in the application form and crossed "Account Payee Only".

HOW TO APPLY BY USING HK eIPO WHITE FORM

(i) You may apply through **HK eIPO White Form** by submitting an application through the designated website at ***www.hkeipo.hk***. If you apply through **HK eIPO White Form** the shares will be issued in your own name.

(ii) Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at ***www.hkeipo.hk***. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **HK eIPO White Form** Service Provider and may not be submitted to our Company.

(iii) The designated **HK eIPO White Form** Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at ***www.hkeipo.hk***. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(iv) By submitting an application to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, you are deemed to have authorized the designated **HK eIPO White Form** Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.

(v) You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 1,000 Public Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at ***www.hkeipo.hk***.

(vi) You should give **electronic application instructions** through **HK eIPO White Form** at the times set out in the paragraph headed "Time for the public to apply for the Public Offer Shares".

(vii) You should make payment for your application made by **HK eIPO White Form** service in accordance with the methods and instructions set out in the designated website at ***www.hkeipo.hk***. If you do not make complete payment of the application monies (including the brokerage fee, the Stock Exchange trading fee, and the SFC transaction levy) on or before 12:00 noon on Friday, 30 April 2010, or such later time as described under the paragraph headed "Effect of bad weather on the opening of the application lists", the designated **HK eIPO White Form** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at ***www.hkeipo.hk***.

(viii) Warning: The application for Public Offer Shares through the **HK eIPO White Form** service is only a facility provided by the designated **HK eIPO White Form** Service Provider to public investors. The Company, the Directors, the Sole Sponsor, the Sole Lead Manager, the Public Offer Underwriters and any of our or their respective directors, officers, employees, partners, agents, advisors and any other parties to the

Share Offer take no responsibility for such applications, and provide no assurance that applications through the **HK eIPO White Form** service will be submitted to our Company or that you will be allotted any Public Offer Shares.

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **HK eIPO White Form** service, you are advised not to wait until the last day for submitting applications in the Public Offer to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **HK eIPO White Form** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. Please see the paragraph headed "How many applications you may make" below.

MINIMUM SUBSCRIPTION AMOUNT AND PERMITTED MULTIPLES

You may use the Application Forms to subscribe for a minimum of 1,000 Public Offer Shares or for one of the numbers or multiples set forth in the table in the Application Forms. You may give, if you are a CCASS Investor Participant, 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 1,000 Public Offer Shares. Such instructions in respect of more than 1,000 Public Offer Shares must be in one of the numbers or multiples set forth in the table in the Application Forms.

HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for the Public Offer Shares only if you are a nominee, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name on behalf of different beneficial owners. 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. If you do not include this information, the application will be treated as being made for your benefit. Otherwise, multiple applications are not allowed.

It will be a term and condition of all applications that, by completing and delivering an Application Form or by giving an **electronic application instruction,** you:

- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service (***www.hkeipo.hk***); and

- (if you are an agent for another person) warrant that you have made reasonable inquiries of that other person that this is the only application which will be made for the benefit of that other person on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service (***www.hkeipo.hk***), and that you are duly authorized to sign the Application Form as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your applications, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service (***www.hkeipo.hk***);

- both apply (whether individually or jointly) on a **white** Application Form and a **yellow** Application Form or apply on a **white** or **yellow** Application Form and by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service (***www.hkeipo.hk***);

- apply on one **white** or **yellow** application form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service (***www.hkeipo.hk***) for more than 7,067,000 Public Offer Shares; or

- have applied for or taken up, or have indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) any Offer Shares under the Placing.

All of your applications will also be rejected as multiple applications if more than one application is made for your benefit, including any 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 in relation to a company means you:

- control the composition of the board of directors of that company;
- control more than half of the voting power of that company; or
- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profit or capital).

If you are suspected of having made multiple electronic applications or if more than one electronic application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instruction** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

TIME FOR THE PUBLIC TO APPLY FOR PUBLIC OFFER SHARES

(a) White or Yellow application form

Completed **white** or **yellow** Application Forms, together with payment attached, must be lodged by 12:00 noon on Friday, 30 April 2010, or, if the application lists are not open on that day due to bad weather, then by 12:00 noon on the next Business Day when such lists are open as described in "— Effect of bad weather on the opening of the application lists" below.

Your completed Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of The Bank of East Asia, Limited and Wing Lung Bank Limited listed above in "— Where to Collect Application Forms" at the following times:

Tuesday, 27 April 2010	—	9:00 a.m. to 5:00 p.m.
Wednesday, 28 April 2010	—	9:00 a.m. to 5:00 p.m.
Thursday, 29 April 2010	—	9:00 a.m. to 5:00 p.m.
Friday, 30 April 2010	—	9:00 a.m. to 12:00 noon

(b) HK eIPO White Form

You may submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at ***www.hkeipo.hk*** from 9:00 a.m. on Tuesday, 27 April 2010 until 11:30 a.m. on Friday, 30 April 2010 or such later time as described under the paragraph headed "Effect of bad weather on the opening of the application lists" under this section below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 30 April 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in "Effect of bad weather on the opening of the application lists".

You will not be permitted to submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at ***www.hkeipo.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 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.

(c) Electronic application instructions to HKSCC

CCASS Clearing/Custodian Participants should input **electronic application instructions** at the following times:

Tuesday, 27 April 2010	—	9:00 a.m. to 8:30 p.m.(1)
Wednesday, 28 April 2010	—	8:00 a.m. to 8:30 p.m.(1)
Thursday, 29 April 2010	—	8:00 a.m. to 8:30 p.m.(1)
Friday, 30 April 2010	—	8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 27 April 2010 until 12:00 noon on Friday, 30 April 2010 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Friday, 30 April 2010 or if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of bad weather on the opening of the application lists" below.

(d) Application lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 30 April 2010. Applications for the Public Offer Shares will not be processed, and no allotment of any such Public Offer Shares will be made, until the closing of the application lists.

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 signal,

in force in Hong Kong at anytime between 9:00 a.m. and 12:00 noon on Friday, 30 April 2010. 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 force in Hong Kong at any time between 9:00 a.m. and 12:00 noon. Business Day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

In the event of the above-mentioned tropical cyclone or rainstorm on Friday, 30 April 2010, the latest time for lodging your Application Forms and for inputting your **electronic application instructions** will be postponed accordingly to the next business day which does not have either of those warning signals in force in Hong Kong at anytime between 9:00 a.m. and 12:00 noon on such day.

HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for Public Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

(b) If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or CCASS Internet System at **http://ip.ccass.com** (using the procedures contained in "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you come to:

Customer Service Centre
Hong Kong Securities Clearing Company Limited
2/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

(c) 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 Public Offer Shares.

(d) You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your CCASS Clearing Participant or CCASS Custodian Participant to the Company and the Hong Kong Share Registrar.

(e) You may give **electronic application instructions** in respect of a minimum of 1,000 Public Offer Shares. Each **electronic application instructions** in respect of more than 1,000 Public Offer Shares must be in one of the numbers set out in the table in the application form.

(f) Where a **WHITE** application form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:

(i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** application form or this prospectus; and

(ii) HKSCC Nominees does the following things on behalf of each of the persons:

- **agrees** that the Public Offer Shares to be allotted shall be issued in the name of the HKSCC Nominees and deposited directly into CCASS for credit to that person's CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf;

- **undertakes** and **agrees** to accept the Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

- **undertakes** and **confirms** that that person has not applied for or taken up any Offer Shares under the Placing nor otherwise participated in the Placing;

- (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;

- (if that person is an agent for another person) **declares** that it has given only one set of **electronic application instructions** for the benefit of that other person, and that it is duly authorised to give those instructions as that other person's agent;

- **understands** that the above declaration will be relied upon by the Company in deciding whether or not to make any allotment of Public Offer Shares in respect of the **electronic application instructions** given by that person and that person may be prosecuted if that person makes a false declaration;

- **authorises** the Company to place the name of HKSCC Nominees on the register of member of the Company as the holder of the Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificates and/or refund monies in accordance with arrangements separately agreed between the Company and HKSCC;

- **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

- **confirms** that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker/custodian to give **electronic application instructions** on that person's behalf;

- **agrees** that the Company, the Underwriters and any other parties involved in the Share Offer are liable only for the information and representations contained in this prospectus;

- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentations;

- **agrees** to disclose that person's personal data to the Company and its agents and any information which they require about that person;

- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before the expiration of the fifth day after the closing of the application lists or such later date (excluding for this purpose any date which is a Saturday, Sunday or any public holiday in Hong Kong) as described under "Effect of bad weather on the opening of application lists" above, such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person 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), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application 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 of public holiday in Hong Kong). If a person responsible for this prospectus under Section 40 of the Hong Kong

Companies Ordinance (as applied by Section 342 E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the announcement on results of the Public Offer published by the Company; and

- **agrees** to the arrangements, undertakings and warrants specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Public Offer Shares.

(g) 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, you each jointly and severally) are deemed to do the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- instruct and authorise HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for Public Offer Shares on your behalf;

- instruct and authorise HKSCC to arrange payment of the maximum Offer Price, brokerage, transaction levy and trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications, refund of the application money by crediting your designated bank account; and

- instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf all the thing which it is stated to do on your behalf in the **WHITE** application form.

(h) 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 cause to give, **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance.

(i) If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be actual application for the purposes of considering whether multiple applications have been made.

(j) For the purpose of allocating Public Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.

(k) The paragraph headed "Personal data" in the **WHITE** and **YELLOW** application form applies to any personal data held by the Sole Sponsor, the Company and the Hong Kong Share Registrar about you in the same way as it applies to personal data of the applicants other than HKSCC Nominees.

Warning

Application for Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Sole Sponsor, the Sole Lead Manager, the Public Offer Underwriters and any of our or their respective directors, officers, employees, partners, agents, advisors and any other parties in the Share Offer take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Public Offer Shares. To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either:

(a) submit the white or yellow application form (as appropriate); or

(b) go to HKSCC's Customer Service Centre to complete instruction input request form before 12:00 noon on Friday, 30 April 2010 or such later time as described under the sub-paragraph headed "Effect of bad weather on the opening of the application lists" above.

PUBLICATION OF RESULTS

The Company expects to announce the Offer Price, the level of applications in the Public Offer, the level of indication of interest in the Placing, and results of applications on Thursday, 6 May 2010 on the website of the Stock Exchange (***www.hkexnews.hk***) and on the website of the Company (***www.lansen.com.cn***). The results of allocation and the identification numbers of successful applicants, will be available at the times and date in the manner specified below:

- Results of allocations for the Public Offer will be available from our designated results of allocations website at ***www.tricor.com.hk/ipo/result*** on a 24-hour basis from 8:00 a.m. on Thursday, 6 May 2010 to 12:00 midnight on 12 May 2010. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application form to search for his/her/its own allocation result;

- Results of allocations will be available from our Share Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of offer Shares allocated to them, if any, by calling (852) 369-18-488 between 9:00 a.m. and 6:00 p.m. from Thursday, 6 May 2010 to Tuesday, 11 May 2010 (excluding Saturday, Sunday and Public Holiday); and

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Thursday, 6 May 2010 to Monday, 10 May 2010 at all the receiving bank branches and sub-branches at the addresses set out in the paragraph headed "Where to obtain the Application Forms for the Public Offer Shares" above.

THE PRICE OF THE PUBLIC OFFER SHARES

You must pay the maximum indicative offer price of HK$3.91 per Offer Share, with 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.004% SFC transaction levy, in full when you apply for the Public Offer Shares. As such, for every board lot of 1,000 Shares, you must pay HK$3,949.46 at the time of application. The Application Forms contain tables showing the exact amount payable for certain multiples of Shares up to 7,067,000 Offer Shares. You must pay the amount payable upon application for the Shares by check or banker's cashier order in accordance with the terms contained in the Application Form.

If your application is successful, the brokerage fee will be paid to participants of the Stock Exchange or the Stock Exchange (as the case may be); the Stock Exchange trading fee will be paid to the Stock Exchange; and the SFC transaction levy will be collected by the Stock Exchange on behalf of the SFC.

REFUND OF APPLICATION MONIES

If:

- the Offer Price, as finally determined, is less than HK$3.91 per Offer Share that you initially paid upon application;

- if your application is partially unsuccessful;

- if your application is wholly unsuccessful;

- the conditions of the Share Offer are not fulfilled in accordance with the section entitled "Structure of the Share Offer — Conditions of the Share Offer" in this prospectus; or

- any application is revoked or any allocation pursuant thereto has become void,

we will, in each case, refund the difference per Offer Share and/or your surplus application monies or your application monies, including the 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.004% SFC transaction levy that you paid to the extent attributable to the surplus application monies. We will not pay interest on any refunded amount. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

All refunds by cheque will be by crossed "Account Payee Only" made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

DESPATCH AND COLLECTION OF SHARE CERTIFICATE(S) AND/OR REFUND CHEQUE(S) AND/OR e-AUTO REFUND PAYMENT INSTRUCTIONS AND DEPOSIT OF SHARE CERTIFICATES INTO CCASS

The Company will not issue temporary documents of title. No receipt will be issued for application monies received.

WHITE application forms:

If you have applied for 1,000,000 Public Offer Shares or more and have indicated on your **WHITE** application form that you will collect your share certificate(s) and/or refund cheque, if any, in person, you may collect it in person from:

Tricor Investor Services Limited
26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

between 9:00 a.m. and 1:00 p.m. on the date notified by the Company on the Company's website (***www.lansen.com.cn***) and the website of the Stock Exchange (***www.hkexnews.hk***) as the date of despatch of share certificates and/or refund cheques. This is expected to be on Thursday, 6 May 2010.

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives, if applicable, must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your share certificate(s) and/or refund cheque, if any, in person within the time specified for collection, it/they will be sent to the address on your application form shortly after the specified time on the date of despatch by ordinary post and at you own risk. If you have applied for 1,000,000 Public Offer Shares or more but have not indicated on your

application form that you wish to collect your Share certificate(s) and/or refund cheque in person, or if you have applied for less than 1,000,000 Public Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Share Offer described under the paragraph headed "Conditions of the Share Offer" in the section headed "Structure of the Share Offer" in this prospectus are not fulfilled in accordance with their terms, or if any application is revoked or any allotment pursuant thereto has become void, then your share certificate(s) and/or refund cheque, if any, in respect of the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, if any, without interest, will be sent to the address on your application form on the date of despatch by ordinary post and at your own risk. Applicants will receive one share certificate each for all the Public Offer Shares allocated.

HK eIPO White Form:

If you apply for 1,000,000 Public Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated **HK eIPO White Form** Service Provider through the designated website at ***www.hkeipo.hk*** and your application is wholly or partially successful, you may collect your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person from Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 6 May 2010, or such other date as notified by our Company on the Company's website (***www.lansen.com.cn***) and the website of Stock Exchange (***www.hkexnews.hk***) as the date of despatch/collection of share certificates/refund cheques and/or e-Auto Refund payment instructions. If you do not collect your share certificate(s) and/or refund cheque(s) (where applicable) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider promptly thereafter by ordinary post and at your own risk. If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider through the designated website at ***www.hkeipo.hk*** on Thursday, 6 May 2010, by ordinary post and at your own risk.

Applicants who apply through the **HK eIPO White Form** service by paying the application monies through a single bank account and applicant's application is wholly or partially unsuccessful and/or the final Offer Price being different from the maximum Offer Price initially paid on applicant's application, e-Auto Refund payment instructions (if any) will be despatched to application payment bank account on or around Thursday, 6 May 2010.

Applicants who apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts and applicant's application is wholly or partially unsuccessful and/or the final Offer Price being different from the maximum Offer Price initially paid on applicant's application, refund cheque(s) will be sent to the address

specified in applicant's application instructions to the designated **HK eIPO White Form** Service Provider on or around Thursday, 6 May 2010, by ordinary post and at applicant's own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **HK eIPO White Form** Service Provider set out in the section headed "Further terms and conditions of the Public Offer — Additional information for applicants applying through **HK eIPO White Form**" in this prospectus.

You will receive one share certificate for all the Offer Shares issued and allotted to you.

YELLOW application forms:

Your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, as instructed by you, at the close of business on Thursday, 6 May 2010, or under contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant, other than a CCASS Investor Participant:

- for Public Offer Shares credited to the stock account of your designated CCASS Participant, other than a CCASS Investor Participant, you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant,

- the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer on the Company's website (***www.lansen.com.cn***) and the website of Stock Exchange (***www.hkexnews.hk***) on Thursday, 6 May 2010. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 6 May 2010 or such other date as shall be determined by HKSCC or HKSCC nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of the Public Offer Shares credited to your stock account.

If you have applied for 1,000,000 Public Offer Shares or more and have indicated on your application form that you will collect your refund cheque in person, please follow the instructions set out in the paragraph headed "**WHITE** application form" above.

Refund cheque

All refunds by cheque will be crossed "Account Payee Only", made out to you, or, if you are joint applicants, to the first-named applicant on your application form. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification or your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidated your refund cheque.

Electronic application instructions

If you apply for Public Offer Shares by giving **electronic application instructions** to HKSCC 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 CCASS Investor Participant stock account or the stock account of your designated CCASS Participant to which you have instructed to give **electronic application instructions** on your behalf (as appropriate) at the close of business on Thursday, 6 May 2010 or under contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees. If you apply by giving **electronic application instructions** to HKSCC, refund of the application monies (including brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) will be credited to your designated bank account or the bank account of your designated broker or custodian without interest on Thursday, 6 May 2010. The Company will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company shall include information relating to the beneficial owner, if supplied), your Hong Kong Identity Card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allocation of the Public Offer, on the Company's website (***www.lansen.com.cn***) and the website of the Stock Exchange (***www.hkexnews.hk***) on Thursday, 6 May 2010. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 6 May 2010 or any other date HKSCC or HKSCC Nominees chooses. If you are instructing your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allocated to you and the amount of refund (if any) payable to you with that broker or custodian. If you are applying as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System on Thursday, 6 May 2010, HKSCC will also make available to you activity statement(s) showing the number of Public Offer Shares credited to your stock account and the amount of refund money credited to your designated bank account (if any).

DEALINGS AND SETTLEMENT

Commencement of dealings in our Shares on the Stock Exchange

Dealings in our Shares on the Stock Exchange are expected to commence at 9:30 a.m. on Friday, 7 May 2010. Our Shares will be traded on the Stock Exchange in board lots of 1,000 Shares. The stock code of our Shares is 503.

Our Shares will be eligible for admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

All necessary arrangements have been made for our Shares to be admitted into CCASS.

You should seek advice of your stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect your rights and interests.

GENERAL

(a) If you apply for Public Offer Shares in the Public Offer, you will be agreeing with the Company and the Sole Lead Manager (on behalf of the Underwriters) as set out below.

(b) If you give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf, you will have authorized HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.

(c) If you give electronic application instructions to the **HK eIPO White Form** Service Provider through the designated website at ***www.hkeipo.hk***, you will have authorized the designated **HK eIPO White Form** Service Provider to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the **HK eIPO White Form** service.

(d) In this section, references to "you," "applicants," "joint applicants" and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees is applying for Public Offer Shares, and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC.

(e) Applicants should read this prospectus carefully, including the terms and conditions set out herein and in the application forms or imposed by HKSCC and/or the **HK eIPO White Form** Service Provider prior to making any application for Public Offer Shares.

OFFER TO PURCHASE THE PUBLIC OFFER SHARES

(a) You offer to purchase from us at the Offer Price the number of the Public Offer Shares indicated in your Application Form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.

(b) For applicants using Application Forms, a refund cheque in respect of the surplus application monies (if any) representing the Public Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable thereto), is expected to be sent to you at you own risk to the address stated on your Application Form.

Details of the procedure for refunds relating to each of the Public Offer methods are contained below in the paragraphs headed "If your application for Public Offer Shares is successful (in whole or in part)," "Refund of application monies" and "Additional information for applicants applying by giving **electronic application instructions** to HKSCC" in this section.

(c) Any application may be rejected in whole or in part.

(d) Applicants under the Public Offer should note that in no circumstances (save for those provided under section 40 of the Hong Kong Companies Ordinance) can applications be withdrawn once submitted. 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** to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Hong Kong Companies Ordinance.

ACCEPTANCE OF YOUR OFFER

(a) The Public Offer Shares will be allocated after the application lists close. We expect to announce the final number of Public Offer Shares, the level of applications under the Public Offer and the basis of allocations of the Public Offer Shares on the Company's website (***www.lansen.com.cn***) and the website of the Stock Exchange (***www.hkexnews.hk***) on Thursday, 6 May 2010.

(b) The results of allocations of the Public Offer Shares under the Public Offer, including the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of Public Offer Shares successfully applied for, will be made available on Thursday, 6 May 2010 in the manner described in the section headed "How to apply for the Public Offer Shares" under the sub-sections headed "Publication of results" and "Despatch and collection of share certificates and/or refund cheque(s) and/or e-Auto Refund Payment Instructions and deposit of share certificates into CCASS".

(c) We may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

(d) If we accept your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Public Offer Shares in respect of which your offer has been accepted if the conditions of the Public Offer are satisfied or not otherwise terminated. Further details are contained in the section headed "Structure of the Share Offer".

(e) 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.

(f) In addition, acceptance of all applications for Public Offer Shares pursuant to the Public Offer will be conditional upon, amongst other things:

    (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued being offered pursuant to the Share Offer (subject only to reallocation);

(ii) the Offer Price having been fixed on or around the Price Determination Date; and

(iii) the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the Public Offer Underwriting Agreement,

in each case on or before the dates and times 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 not later than 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Company (for itself and on behalf of the Selling Shareholders) and the Sole Lead Manager (on behalf of the Underwriters) on or before the Price Determination Date, the Public Offer will not proceed, subject to the Underwriting Agreements.

EFFECT OF MAKING ANY APPLICATION

(a) By completing and submitting any Application Form you:

- **instruct** and **authorize** the Company and/or the Sole Lead Manager (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Public Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;

- **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Public Offer Shares allocated to you, and as required by the Articles;

- **represent, warrant and undertake** that you understand that the Public Offer Shares have not been and will not be registered under the US Securities Act and you are outside the United States and not a US person when completing the Application Form;

- **confirm** that you have received a copy of 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 representation save as set out in any supplement to this prospectus;

- **agree** that the Company, the Sole Sponsor, the Sole Lead Manager, the Underwriters and any of their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer are liable only for the information and representations contained in this prospectus and any supplement to this prospectus;

- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

- (if the application is made for your own benefit) **warrant** that the application is the only application which 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 designated **HK eIPO White Form** Service Provider via **HK eIPO White Form** service;

- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;

- (if you are an agent for another person) **warrant** that the application is the only application which will be made for the benefit of that other person on a **white** or **yellow** application form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider via **HK eIPO White Form** service, and that you are duly authorized to sign the application form or to give **electronic application instructions** as that other person's agent;

- **undertake** and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any Placing Shares, nor otherwise participate in the Placing;

- **warrant** the truth and accuracy of the information contained in your application;

- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- **undertake** and agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

- **authorize** the Company to place your name(s) or HKSCC Nominees, as the case may be, on our register of members as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or our agents to send any share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the firstnamed applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form (except if you have applied for 1,000,000 Public Offer Shares or more and have indicated in your Application Form your wish to collect your refund cheque and share certificates (where applicable) in person);

- **agree** to disclose to the Company, Hong Kong Share Registrar, receiving bankers, the Sole Sponsor, the Sole Lead Manager and their respective advisors and agents any personal data or other information which they require about you or the person(s) for whose benefit you have made the application;

- **understand** that these declarations and representations will be relied upon by the Company and the Sole Lead Manager in deciding whether or not to allocate any Public Offer Shares in response to your application;

- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of the Company, the Sole Lead Manager and the Underwriters nor any of their respective officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;

- **agree** with the Company and each shareholder of the Company, and the Company agrees with each of the shareholders, to observe and comply with the Cayman Companies Law, the Hong Kong Companies Ordinance, and the Memorandum and Articles;

- **agree** with the Company and each shareholder of the Company that the Public Offer Shares are freely transferable by the holder thereof; and

- **agree** that the processing of your application, including the despatch of refund cheque(s) (if any), may be done by any of the Company's receiving bankers and is not restricted to the bank at which your Application Form was lodged.

(b) If you apply for the Public Offer Shares using a **yellow** application form, in addition to the confirmations and agreements referred to in (a) above, you (and if you are joint applicants, each of you jointly and severally) agree that:

- any Public Offer Shares allotted to you shall be issued in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant in accordance with your election on the application form;

- each of HKSCC and HKSCC Nominees reserves the right (1) not to accept any or part of such allotted Public Offer Shares issued in the name of HKSCC Nominees or not to accept such allotted Public Offer Shares for deposit into CCASS; (2) to cause such allotted Public Offer Shares to be withdrawn from CCASS and transferred into your name at your own risk and costs; and (3) to cause such allotted Public Offer Shares to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the share

certificates for such allotted Public Offer Shares at your own risk to the address on your application form by ordinary post or to make available the same for your collection;

- each of HKSCC and HKSCC Nominees may adjust the number of allotted Public Offer Shares issued in the name of HKSCC Nominees;

- neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the application form; and

- neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

(c) In addition, 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 Public Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and 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 Offer Price per share initially paid on application,refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account; and

- (where a **WHITE** application form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares) in addition to the confirmations and agreements set out in paragraph (a) above, instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it has stated to do on your behalf in the **WHITE** application form, and the following:

  — agree that the Public Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf or your CCASS Investor Participant stock account;

  — undertake and agree to accept the Public Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;

— (if the **electronic application instructions** are given for your own 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 benefit of that other person and that you are duly authorized to give those instructions as that other person's agent;

— understand that the above declaration will be relied upon by the Company, the Directors and the Sole Lead Manager in deciding whether or not to make any allotment of Public Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;

— authorize the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Public Offer Shares allotted in respect of your **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company 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 only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your broker or custodian to give **electronic application instructions** on your behalf;

— agree (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

— agree that any application made by HKSCC Nominees on your behalf pursuant to the **electronic application instructions** given by you is irrevocable before the expiration of the fifth day after the closing of the application lists or such later date as the application lists may close as described under "Effect of bad weather on the opening of application lists" above, such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that we will not offer any Public Offer Shares to any person before the expiration of the fifth day after the closing of the application lists or such later date as the application lists may close as described under "Effect of bad weather on the opening of application lists" above, 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 opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong

Kong if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

— agree that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by the Company; and

— agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Public Offer Shares.

(d) The Company, the Sole Sponsor, the Sole Lead Manager, the Underwriters, the **HK eIPO White Form** Service Provider and their respective directors and any other parties involved in the Share Offer are entitled to rely on any warranty, representation or declaration made by you in your application.

(e) All the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you or your application is liable to be rejected:

(a) If your application is revoked:

By completing and submitting an application form or submitting **electronic application instructions** to HKSCC or give **electronic application instructions** to the designated **HK eIPO White Form Service Provider** through **HK eIPO White Form** service ***www.hkeipo.hk***), you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked before the expiration of the fifth day after the closing of the application lists or such later date as the application lists may close as described under "Effect of bad weather on the opening of application lists" above. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your application form or submit your **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider. This collateral contract will be in consideration of the Company agreeing that we will not offer any Public Offer Shares to any person before the expiration of the fifth day after the closing of the application lists or such later date as the application lists may close as described under "Effect of bad weather on the opening of application lists" above except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may be revoked before the fifth day after the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to the prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented. If your application or the application made by HKSCC Nominees on the **HK eIPO White Form** Service Provider 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 announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If the Company, the Sole Lead Manager or to the designated HK eIPO White Form Service Provider (where applicable) or their respective agents exercise their discretion to reject your application:

We and the Sole Lead Manager (as agents for the Company) and the **HK eIPO White Form** Service Provider, or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

(c) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares to you or to HKSCC Nominees (if you give electronic application instructions or apply by a **YELLOW** application form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the shares either:

- within 3 weeks from the closing of the application lists; or
- within a longer period of up to 6 weeks if the Listing Committee of the Stock Exchange notifies the Company of that longer period within 3 weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or suspected multiple applications;

- you or the person for whose benefit you apply 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) with Placing Shares in the Placing. By filling in any of the application forms or giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider via **HK eIPO White Form** service, you agree not to apply for Placing Shares in the Placing. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Placing Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares in the Public Offer;

- you apply for more than 7,067,000 Public Offer Shares;

- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;

- your application form is not completed correctly and in accordance with the instructions;

- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at ***www.hkeipo.hk***;

- either of the Underwriting Agreements does not become unconditional;

- either of the Underwriting Agreements are terminated in accordance with their respective terms; or

- the Company and/or the Sole Lead Manager believe that by accepting your application, they would violate the applicable securities or other laws, rules or regulations.

IF YOUR APPLICATION FOR PUBLIC OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

No temporary document of title will be issued in respect of the shares.

No receipt will be issued for sums paid on application.

Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, 7 May 2010 provided that the Public Offer has become unconditional in all respects and the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Public Offer Underwriting Agreement — Grounds for termination" has not been exercised.

(a) If you apply using a WHITE application form:

If you apply for 1,000,000 Public Offer Shares or more on a **WHITE** application form and have indicated your intention in your application form to collect your share certificate (s) and/or refund cheque (where applicable) from Tricor Investor Services Limited and have provided all information required by your application form, you may collect it/them in person from Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 6 May 2010 or such other date as notified by the Company on the Company's website (***www.lansen.com.cn***) and the website of the Stock Exchange (***www.hkexnews.hk***) as the date of despatch/collection of share certificates/refund cheques.

If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your application form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares or if you apply for 1,000,000 Public Offer Shares or more but have not indicated on your application form that you will collect your refund cheque(s) and/or share certificate(s) (where applicable) in person, your refund cheque(s) and/or share certificate(s) (where applicable) will be sent to the address on your application form, by ordinary post and at your own risk.

(b) If you apply using a YELLOW application form:

If you apply for Public Offer Shares 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 CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your application form at the close of business on Thursday, 6 May 2010, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a **YELLOW** application form for Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer on the Company's website (***www.lansen.com.cn***) and the website of the Stock

Exchange (***www.hkexnews.hk***) on Thursday, 6 May 2010. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 6 May 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance 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). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **YELLOW** application form to collect your refund cheque (where applicable) in person, please follow the same procedure, as those for **WHITE** application form applicants as described above. If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your application form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, your refund cheque (if any) will be sent to the address on your application form on the date of despatch, which is expected to be on Thursday, 6 May 2010, by ordinary post and at your own risk.

(c) If you apply through HK eIPO White Form:

If you apply for 1,000,000 Public Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated **HK eIPO White Form** Service Provider through the designated website at ***www.hkeipo.hk*** and your application is wholly or partially successful, you may collect your Share certificate(s) and/or refund cheque(s) (where applicable) in person from Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 6 May 2010, or such other date as notified by our Company on Company's website (***www.lansen.com.cn***) and the website of the Stock Exchange (***www.hkexnews.hk***) as the date of despatch/collection of share certificates/refund cheques/e-Auto Refund Payment Instructions.

If you do not collect your share certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider through the designated website at ***www.hkeipo.hk*** on Thursday, 6 May 2010 by ordinary post and at your own risk. Please also note the additional information relating to refund of application monies overpaid or application monies underpaid or applications rejected by the designated **HK eIPO White Form** Service Provider set out in "Additional Information for Applicants Applying Through **HK eIPO White Form**".

REFUND OF APPLICATION MONIES

Your application monies, or the appropriate portion thereof, together with the related brokerage of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%, will be refunded if:

- your application is rejected, not accepted or accepted in part only or if you do not receive any Public Offer Shares for any of the reasons set out above in the section headed "Circumstances in which you will not be allotted Public Offer Shares";
- the Offer Price as finally determined is less than the Offer Price of HK$3.91 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application;
- the conditions of the Public Offer are not fulfilled; or
- any application is revoked or any allotment pursuant thereto has become void.

No interest will be paid thereon. All interest accrued on such monies prior to the date of refund will be retained for our benefit.

In a contingency situation involving a substantial over-subscription, at the discretion of the Company and the Sole Lead Manager, cheques for applications for certain small denominations of Public Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) by cheque or by e-Auto Refund payment instructions will be made on Thursday, 6 May 2010 in accordance with the various arrangements as described herein. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate. All refunds by cheque will be made crossed "Account Payee Only" made out to you, or if you are joint applicants, to the first-named applicant. Part of your Hong Kong Identity Card number or passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data will also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number or passport number may lead to delay in encashment of or may invalidate your refund cheque. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

ADDITIONAL INFORMATION FOR APPLICANTS APPLYING THROUGH HK eIPO WHITE FORM

For the purposes of allocating Public Offer Shares, each applicant giving **electronic application instructions** through the **HK eIPO White Form** service to the White Form eIPO Service Provider through the designated website at ***www.hkeipo.hk*** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **HK eIPO White Form** Service Provider, the designated White Form elPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **HK eIPO White Form** Service Provider on the designated website at ***www.hkeipo.hk***.

Otherwise, any monies payable to you due to a refund for any of the reasons set out in the paragraph headed "Refund of Application Monies" shall be made pursuant to the arrangements described in the paragraph headed "If your application for Public Offer Shares is successful (in whole or in part)" under the sub-paragraph headed "(c) If you apply through **HK eIPO White Form**".

ADDITIONAL INFORMATION FOR APPLICANTS APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) Allocation of Public Offer Shares

For the purposes of allocating Public 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 each such instructions is given will be treated as an applicant.

(b) Deposit of share certificates into CCASS and Refund of Application Monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.

- 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 the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Thursday, 6 May 2010, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees Limited.

- 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), and the basis of allotment of the Public Offer on the Company's website (***www.lansen.com.cn***) and the website of the Stock Exchange (***www.hkexnews.hk***) on 6 May 2010. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 6 May 2010 or such other date as shall be 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 Public 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 Public 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 Thursday, 6 May 2010. HKSCC will also make available to you an activity statement showing the number of Public 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 Offer Price per share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 6 May 2010. No interest will be paid thereon.

PERSONAL DATA

The main provisions of the Hong Kong Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the "Ordinance") came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of our shares of the policies and practices of the Company and Hong Kong Share Registrar in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for our securities or registered holders of our securities to supply their latest correct personal data to the Company and Hong Kong Share Registrar when applying for our securities or transferring our securities into or out of their names or in procuring the services of the Hong Kong Share Registrar. Failure to supply the requested data may result in your application for our securities being rejected or in delay or inability of the Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Public Offer Shares which you have successfully applied for and/or the despatch of share certificate(s), and/or refund cheque(s) and/or e-Auto Refund payment instructions to which you are entitled. It is important that holders of securities inform us and our Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and refund cheque, where applicable, verification of compliance with the terms and application procedures set out in the application forms and this prospectus and announcing results of allocations of the Public Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of the Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of the Company, such as dividends, rights issues and bonus issues;
- distributing communications from the Company and our subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by laws, rules or regulations;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and our Hong Kong Share Registrar to discharge our obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) Transfer of personal data

Personal data held by the Company and our Hong Kong Share Registrar relating to the applicants and the holders of securities will be kept confidential but the Company and our Hong Kong Share Registrar, to the extent necessary for achieving the above purposes or any of them, may make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain, transfer (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to, from or with any and all of the following persons and entities:

- the Company or our respective appointed agents such as financial advisors, receiving bankers and overseas principal registrars;

- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Public Offer Shares to be deposited into CCASS);

- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to the Company and/or our Hong Kong Share Registrar in connection with the operation of their business;

- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and

- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

By signing an application form or by giving **electronic application instructions** to HKSCC, you agree to all of the above.

(d) Access to and correction of personal data

The Ordinance provides the holders of securities with rights to ascertain whether the Company or our Hong Kong Share Registrar holds their personal data, to obtain a copy of that data, and to correct any data that is inaccurate.

In accordance with the Ordinance, the Company and our Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and the kinds of data held should be addressed to us, at our registered address disclosed in the section headed "Corporate Information" or as notified from time to time in accordance with applicable law, for the attention of the company secretary, or our Hong Kong Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants of the Group, Grant Thornton, Certified Public Accountants, Hong Kong.

Grant Thornton
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Member of Grant Thornton International Ltd

27 April 2010

The Directors
Lansen Pharmaceutical Holdings Limited
Piper Jaffray Asia Limited

Dear Sirs,

We set out below our report on the financial information regarding Lansen Pharmaceutical Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the three years ended 31 December 2007, 2008 and 2009 (the "Relevant Periods") and the combined statements of financial position of the Group as at 31 December 2007, 2008 and 2009 and the statement of financial position of the Company as at 31 December 2009, together with explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 27 April 2010 (the "Prospectus") in connection with the initial 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 in the Cayman Islands on 10 September 2009 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands with authorised share capital of USD200,000,000 divided into 20,000,000,000 ordinary shares of USD0.01 each. The principal activity of the Company is an investment holding company.

Pursuant to a group reorganization (the "Reorganization") as set out in the section headed "History, Reorganization and Group Structure" in the Prospectus, the Company has since 9 April 2010 become the holding company of the subsidiaries now comprising the Group. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganization.

Details of the Company's direct and indirect interests in its subsidiaries at the date of this report and the respective names of their statutory auditors are 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.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") (the "IFRSs Financial Statements"). We have carried out an independent audit on the IFRSs Financial Statements of the Group for each of the three years ended 31 December 2007, 2008 and 2009 in accordance with International Standards on Auditing.

The Financial Information has been prepared based on the IFRSs Financial Statements, on the basis set out in Note 2.1 of Section II, after making such adjustments as are appropriate.

DIRECTORS' RESPONSIBILITY

The directors of the Company are responsible for the preparation and the true and fair presentation of the IFRSs Financial Statements and the Financial Information in accordance with IFRSs. The responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the IFRSs Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

REPORTING ACCOUNTANTS' RESPONSIBILITY

For the Financial Information, our responsibility is to express an opinion on the Financial Information based on our examination and to report our opinion to you. We examined the IFRSs Financial Statements, and carried out such additional procedures as we consider necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

OPINION

In our opinion, the Financial Information set out below, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at 31 December 2009 and of the Group as at 31 December 2007, 2008 and 2009 and of the Group's results and cash flows for the Relevant Periods.

I. FINANCIAL INFORMATION

Combined statements of comprehensive income

	Note	For the year ended 31 December 2007 USD'000	2008 USD'000	2009 USD'000
Revenue	4	24,150	37,119	47,932
Cost of sales		(7,695)	(11,094)	(15,493)
Gross profit		16,455	26,025	32,439
Other income	4	628	478	820
Selling and distribution expenses		(10,226)	(14,809)	(18,143)
Administrative expenses		(5,247)	(4,224)	(5,546)
Profit from operations	6	1,610	7,470	9,570
Finance costs	7	(774)	(1,518)	(667)
Profit before income tax		836	5,952	8,903
Income tax expense	8	(404)	(879)	(1,523)
Profit for the year		432	5,073	7,380
Other comprehensive income				
Exchange differences arising on translation of foreign operations		1,122	1,085	(36)
Other comprehensive income for the year, net of tax		1,122	1,085	(36)
Total comprehensive income for the year		1,554	6,158	7,344
Profit attributable to equity holders of the Company		432	5,073	7,380
Total comprehensive income attributable to equity holders of the Company		1,554	6,158	7,344
Earnings per share — Basic (cents)	10	N/A	N/A	N/A

Combined statements of financial position

	Note	At 31 December 2007 USD'000	2008 USD'000	2009 USD'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	11	12,747	13,533	16,951
Land use rights	12	1,930	2,026	2,398
Intangible assets	13	6,197	6,799	7,663
Goodwill	14	6,824	6,824	6,824
Loans to management	15	616	328	—
		28,314	29,510	33,836
CURRENT ASSETS				
Inventories	16	1,765	1,766	3,852
Amounts due from fellow subsidiaries	17	2	3,404	—
Trade and other receivables	18	9,769	15,672	20,592
Land use rights	12	41	44	53
Pledged bank deposits	19	5,466	878	800
Cash and cash equivalents	19	1,585	9,103	4,055
		18,628	30,867	29,352
TOTAL ASSETS		46,942	60,377	63,188
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Equity attributable to equity holders of the Company				
Share capital	20	29,491	29,491	29,491
Share premium	21	14	14	14
Treasury shares	21	(11,151)	(13,115)	(6,605)
Exchange equalisation reserve	21	1,738	2,823	2,787
Statutory reserve	21	576	576	704
Retained profits		371	2,953	3,565
TOTAL EQUITY		21,039	22,742	29,956
NON-CURRENT LIABILITIES				
Borrowings	22	1,924	20,570	10,407
Deferred tax liabilities	23	—	122	394
		1,924	20,692	10,801

	Note	At 31 December 2007 USD'000	2008 USD'000	2009 USD'000
CURRENT LIABILITIES				
Borrowings	22	14,004	2,964	8,881
Current tax liabilities		217	199	258
Dividend payables		1,226	800	—
Amount due to immediate holding company	25	47	—	—
Amount due to an intermediate holding company	25	5	—	—
Amount due to a fellow subsidiary	25	—	—	311
Trade and other payables	24	8,480	12,980	12,981
		23,979	16,943	22,431
TOTAL LIABILITIES		25,903	37,635	33,232
TOTAL EQUITY AND LIABILITIES		46,942	60,377	63,188
NET CURRENT (LIABILITIES)/ASSETS		(5,351)	13,924	6,921
TOTAL ASSETS LESS CURRENT LIABILITIES		22,963	43,434	40,757

Statements of financial position

	Note	At 31 December		
		2007	2008	2009
		USD'000	USD'000	USD'000
ASSETS				
CURRENT ASSETS				
Amount due from immediate holding company	17	—	—	—
Prepayments	18	—	—	16
TOTAL ASSETS		—	—	16
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Share capital	20	—	—	—
TOTAL EQUITY		—	—	—
CURRENT LIABILITIES				
Amount due to a fellow subsidiary	25	—	—	16
TOTAL LIABILITIES		—	—	16
TOTAL EQUITY AND LIABILITIES		—	—	16
NET CURRENT ASSETS		—	—	—
TOTAL ASSETS LESS CURRENT LIABILITIES		—	—	—

Combined statements of cash flows

	Note	For the year ended 31 December 2007 USD'000	2008 USD'000	2009 USD'000
Cash flows from operating activities				
Profit before income tax		836	5,952	8,903
Adjustments for:				
Finance costs recognized		774	1,518	667
Interest income		(120)	(288)	(247)
Provision for/(reversal of) doubtful debts		2,468	(662)	52
Depreciation		452	772	864
Amortisation of land use rights		21	39	48
Loss on disposals of property, plant and equipment		39	128	18
Write off of intangible assets		—	16	15
Operating profit before working capital changes		4,470	7,475	10,320
Decrease/(increase) in inventories		285	(2)	(2,085)
Increase in trade and other receivables		(1,946)	(4,980)	(5,038)
Increase in trade and other payables		756	2,286	2,809
Cash generated from operations		3,565	4,779	6,006
Interest paid		(774)	(1,518)	(667)
Income tax paid		(188)	(774)	(1,192)
Net cash generated from operating activities		2,603	2,487	4,147
Cash flows from investing activities				
(Increase)/decrease in pledged bank deposits		(5,466)	4,588	78
Purchase of property, plant and equipment		(3,944)	(862)	(4,287)
Purchase of land use rights		(789)	—	(427)
Purchase of intangible assets		(426)	(214)	(874)
Interest received		120	288	247
Net cash (used in)/generated from investing activities		(10,505)	3,800	(5,263)
Cash flows from financing activities				
Proceeds from borrowings		7,806	20,738	9,496
Repayment of borrowings	30(a)	(1,772)	(13,765)	(3,443)
(Loans to)/repayment from management	30(b)	(346)	287	—
Movements in amounts due to immediate holding company		1,639	(47)	—
Movements in amounts due to an intermediate holding company		—	(5)	—
Movements in amounts due from/to fellow subsidiaries	30(a)	422	(3,402)	(6,632)
Dividend paid	30(b)	—	(2,917)	(3,300)
Net cash generated from/(used in) financing activities		7,749	889	(3,879)
Net (decrease)/increase in cash and cash equivalents		(153)	7,176	(4,995)
Cash and cash equivalents at beginning of year		1,337	1,585	9,103
Effects of exchange rate changes		401	342	(53)
Cash and cash equivalents at end of year		1,585	9,103	4,055

Combined statements of changes in equity

	Share capital	Share premium	Treasury shares	Exchange equalisation reserve	Statutory reserve	Retained profits	Total equity
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance at 1January 2007	29,086	14	(11,122)	616	463	1,683	20,740
Scrip issue *(note 9)*	405	—	—	—	—	(405)	—
2006 final dividend *(note 9)*	—	—	—	—	—	(1,226)	(1,226)
Shares redeemed as repayment of part of the loans to management	—	—	(29)	—	—	—	(29)
Transactions with owners	405	—	(29)	—	—	(1,631)	(1,255)
Profit for the year	—	—	—	—	—	432	432
Other comprehensive income:							
Exchange differences arising on translation of foreign currency operations	—	—	—	1,122	—	—	1,122
Total comprehensive income for the year.	—	—	—	1,122	—	432	1,554
Transfer to statutory reserve	—	—	—	—	113	(113)	—
Balance at 31 December 2007 and 1 January 2008	29,491	14	(11,151)	1,738	576	371	21,039
2007 final dividend *(note 9)*	—	—	—	—	—	(1,691)	(1,691)
2008 interim dividend *(note 9)*	—	—	—	—	—	(800)	(800)
Shares redeemed *(note 21)*	—	—	(1,964)	—	—	—	(1,964)
Transactions with owners	—	—	(1,964)	—	—	(2,491)	(4,455)
Profit for the year	—	—	—	—	—	5,073	5,073
Other comprehensive income:							
Exchange differences arising on translation of foreign operations	—	—	—	1,085	—	—	1,085
Total comprehensive income for the year.	—	—	—	1,085	—	5,073	6,158
Balance at 31 December 2008 and 1 January 2009	29,491	14	(13,115)	2,823	576	2,953	22,742
Issue of earn-out shares *(note 21)*	—	—	2,744	—	—	—	2,744
2008 final dividend *(note 9)*	—	—	—	—	—	(3,340)	(3,340)
Scrip issue *(note 9)*	—	—	3,766	—	—	—	3,766
2009 interim dividend *(note 9)*	—	—	—	—	—	(3,300)	(3,300)
Transactions with owners	—	—	6,510	—	—	(6,640)	(130)
Profit for the year	—	—	—	—	—	7,380	7,380
Other comprehensive income:							
Exchange differences arising on translation of foreign operations	—	—	—	(36)	—	—	(36)
Total comprehensive income for the year.	—	—	—	(36)	—	7,380	7,344
Transfer to statutory reserve	—	—	—	—	128	(128)	—
Balance at 31 December 2009.	29,491	14	(6,605)	2,787	704	3,565	29,956

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Lansen Pharmaceutical Holdings Limited (the "Company") is an exempted limited liability company incorporated in the Cayman Islands on 10 September 2009 under the Companies Law of the Cayman Islands in preparation for a listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited. The Company's registered office is located at Clifton House, 75 Fort Street P. O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company's principal place of business is located at Suites 1203–4, 12/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing and trading of pharmaceutical products.

The Company is a subsidiary of Cathay International Holdings Limited, a company incorporated in Bermuda and whose shares are listed on the London Stock Exchange. The directors consider the ultimate holding company to be Cathay International Enterprises Limited which is incorporated in Bermuda.

At the date of this report, the particulars of the subsidiaries in which the Company has direct or indirect interests are set out as follows:

Name	Country/Place and date of incorporation/establishment and kind of legal entity	Particulars of issued and fully paid share capital/registered capital	Effective interest held by the Company	Principal activities	Name of the auditors for 2007, 2008 and 2009
Interests held directly					
Lansen Pharmaceutical Holdings Limited ("Lansen Pharmaceutical BVI")	Incorporated on 2 March 2005 in the BVI, limited liability company	25,006,044 ordinary share of USD1 each	100%	Investment holding	No statutory audit requirements
Interests held indirectly					
Horizon Network Limited	Incorporated on 19 April 2002 in the BVI, limited liability company	1 ordinary share of USD1 each	100%	Investment holding	No statutory audit requirements
Magnificent Worldwide Limited	Incorporated on 5 January 2004 in the BVI, limited liability company	1 ordinary share of USD1 each	100%	Investment holding	No statutory audit requirements
Brilliant Manufacture Limited	Incorporated on 25 February 2005 in the BVI, limited liability company	1 ordinary share of USD1 each	100%	Investment holding	No statutory audit requirements
Flash Universal Limited	Incorporated on 6 July 2005 in the BVI, limited liability company	1 ordinary share of USD1 each	100%	Investment holding	No statutory audit requirements
Point Kin International Limited	Incorporated on 25 September 2007 in Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding	Grant Thornton
Liwah Plant Extract (Hong Kong) Limited	Incorporated on 27 July 2009 in Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding	N/A
Lansen Pharmaceutical (Hong Kong) Limited	Incorporated on 27 July 2009 in Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding	N/A
Lansen Medicine (Shenzhen) Company Limited ("Shenzhen Lansen")	Established on 27 December 2001 in the People's Republic of China ("PRC"), limited liability company	RMB29,498,000	100%	Pharmaceutical business	2007: 深圳中聯岳華會計師事務所 ("中聯") 2008: 深圳中皓華盈會計師事務所有限公司("中皓") 2009: 中皓

Name	Country/Place and date of incorporation/establishment and kind of legal entity	Particulars of issued and fully paid share capital/registered capital	Effective interest held by the Company	Principal activities	Name of the auditors for 2007, 2008 and 2009
Ningbo Liwah Pharmaceutical Company Limited ("Ningbo Liwah")	Established on 6 January 1993 in PRC, wholly-owned foreign enterprise ("WOFE") with limited liability	RMB135,000,000	100%	Pharmaceutical business	2007: 中聯 2008: 中皓 2009: 中皓
Ningbo Liwah Plant Extraction Technology Limited	Established on 30 September 2005 in PRC, WOFE with limited liability	RMB18,000,000	100%	Pharmaceutical business	2007: 中聯 2008: 中皓 2009: 中皓
Ningbo Lansen Pharmaceutical Company Limited	Established on 18 May 2009 in PRC, limited liability company	RMB10,000,000	100%	Pharmaceutical business	2009: 中皓

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Reorganization had been accounted for using the principles of merger accounting, under which the Company had been treated as the holding company of its subsidiaries during the Relevant Periods or since their respective dates of incorporation or acquisition whichever was shorter. The assets and liabilities of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost. Difference between the nominal amount of the Company's shares issued, if any, and the net asset value of the acquiree is recognised directly in equity as share premium. The combined statements of comprehensive income, combined statements of cash flows and combined statements of changes in equity of the Group for the Relevant Periods and the combined statement of financial position of the Group as of 31 December 2007, 2008 and 2009 have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation/registration of the subsidiaries, whichever is the shorter period, to the extent of interest held by the Company's shareholders. All significant intra-group transactions, balances and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

The Financial Information has been prepared based on the IFRSs Financial Statements of Lansen Pharmaceutical BVI, with the exclusion of the results of certain subsidiaries (Cathay International Changchun Biotechnology and Pharmaceutical Ltd and its subsidiaries, collectively referred as the "CICBP Group") of Lansen Pharmaceutical BVI which were disposed of on 3 April 2007. The CICBP Group's businesses mainly focused on the research and development in technology know-how in areas such as drug delivery systems, biological materials and diagnostic kits whereas the Group is principally engaged in the development, production and sale of rheumatic specialty prescription western pharmaceuticals. As the business of the CICBP Group was dissimilar to the business of the subsidiaries now comprising the Group, the result of the CICBP Group for period from 1 January 2007 to the date of disposal was excluded from the Group as if the current group structure had been in existence on 1 January 2007 so that the effect of the result from the discontinued operations relating to the CICBP Group will not distort the financial information of the Group. Had the financial results of CICBP Group not been excluded from the financial information of the Group, the Group's profit for the year ended 31 December 2007 would have increased by USD612,000 and the Group's retained profits as of 1 January 2007 would have decreased by USD612,000 which represented accumulated losses as at 1 January 2007 attributable to the CICBP Group. The CICBP Group did not have any turnover during 1 January 2007 to the date of disposal.

The Financial Information has been prepared in accordance with IFRSs, which collective term includes all applicable individual International Financial Reporting Standards and Interpretations as approved by the International Accounting Standards Board ("IASB"), and all applicable individual International Accounting Standards ("IAS") and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. It also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

The Financial Information has been prepared under the historical cost convention. The measurement bases are fully described in the accounting policies below. The Financial Information is presented in United States Dollars ("USD") and all values are rounded to the nearest thousand except when otherwise indicated.

It should be noted that the preparation of Financial Information in accordance with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas where assumptions and estimates are significant to the Financial Information or areas involving a higher degree of judgement or complexity are set out in note 3 "Critical accounting estimates and judgements".

The Company has not issued any financial statements prior to this report since the Company was incorporated on 10 September 2009. The IASB has issued a number of new and revised IFRSs which were relevant to the Group and became effective during the Relevant Periods. In preparing the Financial Information, the Group has adopted all these new and revised IFRSs consistently throughout the Relevant Periods.

The following new standards, amendments and interpretations to existing IFRSs have been published but are not yet effective for annual period beginning on 1 January 2009 and have not been adopted early by the Group.

IAS 24 (Revised)	Related Party Disclosures[7]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Rights Issues[5]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 9	Financial Instrument[8]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 18	Transfers of Assets from Customers[2]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[6]
Improvements to IFRSs	Annual Improvements to IFRSs 2009 other than Improvement to IFRSs 2009 — Amendment to IFRS 8 Operating Segments[4]

Notes:

1 *Effective for annual periods beginning on or after 1 July 2009*

2 *Effective for transfer of assets from customers received on or after 1 July 2009*

3 *Effective for annual periods beginning on or after 1 January 2010*

4 *Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific IFRS*

5 *Effective for annual periods beginning on or after 1 February 2010*

6 *Effective for annual periods beginning on or after 1 July 2010*

7 *Effective for annual periods beginning on or after 1 January 2011*

8 *Effective for annual periods beginning on or after 1 January 2013*

The directors anticipate that all these new or revised IFRSs will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below.

IFRS 3 Business Combinations (Revised 2008)

The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-

controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

IFRS 9 Financial Instruments

The standard addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application, but the directors do not anticipate that the application will result in a material impact on the Group's financial information.

IAS 27 Consolidated and Separate Financial Statements (Revised 2008)

The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors do not expect the standard to have a material effect on the Group's financial statements.

Annual Improvements 2009

The IASB has issued *Improvements to International Financial Reporting Standards 2009*. Most of these amendments become effective in annual periods beginning on or after 1 January 2010. The Group expects the amendment to IAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment IAS 17 generally required a lease of land to be classified as an operating lease. The amendment now requires that leases of land are classified as finance or operating applying the general principles of IAS 17. The Group will need to reassess the classification of its unexpired leases at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The application of the amendment to IAS 17 might affect the classification and measurement of the Group's leasehold land. The directors are currently assessing the possible impact of the other amendments but are not yet in a position to state whether these amendments would have a significant impact on the Group's results and financial position in the first year of application.

Amendment early adopted by the Group

The Group early adopted the Improvement to IFRSs 2009 — Amendment to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010). The amended standard requires that measure of segment assets should only be disclosed when such information is regularly provided to the chief operating decision maker.

2.2 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated in preparing the Financial Information. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Goodwill

Goodwill arising on the acquisition represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquirees recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and the use by others of the Group's assets yielding interest, net of discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognized upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Interest income is recognised on a time-proportion basis by reference to the principal outstanding and the effective interest method.

2.5 Leases

Assets that are held by the Group under leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating lease rental payments are charged directly to the income statement on an accruals basis.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

2.6 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

2.7 Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in United States Dollar, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the exchange equalisation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in United States Dollar using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange equalisation reserve. Such exchange differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.8 Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised to the cost of those assets, until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.9 Accounting for income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable

that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilised the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost of the business combination.

2.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is provided to write off the cost of property, plant and equipment on a systematic basis over their estimated useful lives which are re-assessed annually. The major categories of property, plant and equipment are depreciated as follows:

Building and Plant	20–50 years or over the terms of leases, whichever is shorter
Machinery	3–10 years
Motor vehicles	5–12 years
Furniture and equipment	5–15 years

The assets' residual values, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing cost capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

2.11 Land use rights

Land use rights represent up-front payments to acquire long term interest in the usage of land. The payments are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight-line basis over the lease terms between 48 to 50 years.

2.12 Intangible assets (other than goodwill) and research and development activities

Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses. Intangible assets with indefinite useful lives are tested for impairment annually.

Research and development costs

Costs associated with research activities are expensed in the income statement as they occur. An intangible asset arising from development expenditure on an individual project is recognised provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Development expenditure which does not meet the above criteria is expensed when incurred.

Capitalised development costs that have a finite useful life are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit. Capitalised development costs with indefinite useful lives are tested for impairment annually.

2.13 Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets that have a finite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss of tangible and intangible assets (other than goodwill) subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined, net of any depreciation or

amortisation, had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.15 Financial instruments

Financial assets

The Group's financial assets comprise loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Bills receivables, trade and other receivables and bank balances that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets, such as trade receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period normally ranging from six months to one year, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are obligations to pay cash or other financial assets including borrowings, trade and other payables and amounts due to related companies are recognised when the Group becomes party to the contractual obligations of the instrument and are initially recorded at fair value, net of issue costs. They are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, 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 the recognition of a new liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.16 Cash and cash equivalents

Cash and cash equivalents represent cash at bank and in hand.

2.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Where any Group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes,) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the equity holders of the Company.

2.18 Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2.19 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

The measurement policies the Group uses for reporting segment results under IFRS 8 are the same as those used in its financial information prepared under IFRSs.

2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in income statement on a straight line basis over the expected lives of the related assets.

Government grants related to assets are presented in the statement of financial position by setting up the grant as deferred income. Government grants relating to income is presented in gross under "Other income" in the statement of comprehensive income.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates and underlying assumptions used in the preparation of these financial statements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current-and future periods.

The following are the key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. As at 31 December 2009, the carrying amount of goodwill was USD6,824,000. Details of the assumptions and basis of the recoverable amount calculation are set out in note 14.

Impairment of trade receivables

Impairment of trade receivables is made based on assessment of the recoverability of receivables from customers. The identification of the impairment requires management judgements and estimates where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables and impairment losses/reversal of impairment losses in the period in which such estimate has been changed.

Useful lives of intangible assets

The directors estimate the intangible assets, which represented the intellectual property rights in pharmaceutical industry, have indefinite useful lives as they believe that there is no foreseeable limit on the period of time over which these intellectual property rights is expected to provide cash flows and these intellectual property rights can be renewable in a period of time at minimal cost and the products are continuing in the market.

4. REVENUE AND OTHER INCOME

An analysis of the Group's revenue, which is also the Group's turnover, and other income for the years are as follows:

	For the year ended 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Revenue from sales of goods	24,150	37,119	47,932
Other income			
Government grants	295	108	546
Interest income on financial assets not at fair value through profit or loss	120	288	247
Others	213	82	27
	628	478	820

The Group was entitled to receive grants from a PRC local government to support the development of high technology products. The grants received were not subject to any conditions.

5. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its product types and has two reportable operating segments as follows:

- Rheumatic specialty prescription western pharmaceuticals;
- Other pharmaceuticals.

Management monitors the revenue of its business units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is evaluated based on revenue from the reportable segments as explained in the table below.

	For the year ended 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Reportable segment revenue from external customers			
Rheumatic specialty prescription western pharmaceuticals	16,254	26,632	33,102
Other pharmaceuticals	7,896	10,487	14,830
Total	24,150	37,119	47,932

During the years ended 31 December 2007, 2008 and 2009, USD1,632,000 or 6.8%, USD3,786,000 or 10.2% and USD7,089,000 or 14.8%, respectively, of the Group's revenues depended on a single customer.

The Group's revenues are divided into the following geographical areas:

	For the year ended 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
PRC (domicile)	23,801	36,678	47,315
Overseas	349	441	617
	24,150	37,119	47,932

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The Company is an investment holding company incorporated in the Cayman Islands where the Group does not have any activities, the Group has the majority of its operations and workforce in the PRC, and therefore, PRC is considered as the Group's country of domicile for the purpose of the disclosures as required by IFRS 8 "Operating Segments".

All of the non-current assets of the Group were located in the PRC during the Relevant Periods.

6. PROFIT FROM OPERATIONS

The Group's profit from operations has been arrived at after charging/(crediting):

	For the year ended 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Auditors' remuneration	25	26	44
Depreciation of property, plant and equipment	452	772	864
Amortisation of land use rights	21	39	48
Provision for/(Reversal of) impairment of trade receivables	2,061	(671)	50
Provision for impairment of other receivables	407	9	2
Exchange (gain)/loss, net	(84)	(122)	25
Cost of inventories recognised as expenses	7,636	10,998	15,268
Operating lease charges in respective of land and building	341	335	377
Write off of intangible assets	—	16	15
Loss on disposals of property, plant and equipment	39	128	18
Staff cost (including directors' remuneration)			
Wages and salaries	2,955	4,036	4,804
Defined contribution plan	128	167	268
	3,083	4,203	5,072

7. FINANCE COSTS

	For the year ended 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Interest on bank borrowings	774	1,518	667

8. INCOME TAX EXPENSE

	For the year ended 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Current tax			
— PRC Enterprise Income Tax	404	757	1,198
Deferred tax			
— Withholding Income Tax *(note 23)*	—	122	325
	404	879	1,523

Tax on assessable profits arising in the PRC has been calculated at the applicable rates of tax prevailing in the tax jurisdiction in which the Group operates.

Pursuant to the tax law passed by the Tenth National People's Congress on 16 March 2007, the new PRC Enterprise Income Tax ("EIT") rates for domestic and foreign enterprises in China which are currently charging at an EIT rate of 33% are unified at 25% with effect from 1 January 2008; the EIT rate for domestic and foreign enterprises in China which are currently charging at preferential rates will increase gradually to 25% in 5 years with effect from 1 January 2008.

Certain subsidiaries of the Group are wholly-owned foreign enterprises in accordance with the Income Tax Law of the PRC for Enterprise with Foreign Investment and Foreign Enterprises and are entitled to full exemption from EIT for two years and a 50% reduction in the following three years thereafter starting from the first profit making year after offsetting prior years' tax losses.

Under the New PRC Tax Law, 5% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. Pursuant to the grandfathering treatments of the New PRC Tax Law, dividends receivable by the Group from its PRC subsidiaries in respect of its undistributed retained earnings prior to 31 December 2007 are exempted from the withholding tax.

Reconciliation between tax expense and accounting profit is as follows:

	For the year ended 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Profit before income tax	836	5,952	8,903
Tax on profit at the rates applicable to the jurisdictions concerned	337	1,302	2,080
Tax effect of:			
Tax effect on non-deductible expenses	316	—	173
Tax effect on non-taxable income	(6)	(81)	(1)
Unrecognised tax losses	—	26	12
Tax exempt	(243)	(490)	(1,066)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	—	122	325
Income tax expense for the year	404	879	1,523

9. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. The dividends declared and paid by Lansen Pharmaceutical BVI to its then shareholders during the Relevant Periods are summarized as follows:

	For the year ended 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Dividend attributable to the year:			
Interim dividend (2007: nil, 2008: US4.40 cents per share and 2009: US14.42 cents per share)	—	800	3,300
Dividend attributable to the previous financial year, approved and recognised during the year:			
Final dividend in respect of the previous financial year by cash (2007: US6.83 cents per share, 2008:US9.22 cents per share and 2009: US18.38 cents per share)	1,226	1,691	3,340
Final dividend in respect of the previous financial year by scrip issue	405	—	—
	1,631	1,691	3,340
	1,631	2,491	6,640

Pursuant to an ordinary resolution passed at the General Meeting held on 3 August 2007, the directors of Lansen Pharmaceutical BVI approved a final dividend of US6.83 cents per share, totalling USD1,226,053 in respect of the year ended 31 December 2006 to all shareholders whose names appear on the register of members of Lansen Pharmaceutical BVI on 31 December 2006. The dividend was paid on 31 July 2008.

Pursuant to an ordinary resolution passed at the General Meeting held on 3 August 2007, Lansen Pharmaceutical BVI issued and allotted a total of 405,367 ordinary shares of USD1 each in Lansen Pharmaceutical BVI, totalling USD405,000 to the shareholders in lieu of payment of 2005 final dividend pursuant to the scrip issue.

Pursuant to an ordinary resolution passed at the General Meeting held on 11 July 2008, the directors of Lansen Pharmaceutical BVI approved a final dividend of US9.22 cents per share, totalling USD1,691,191 in respect of the year ended 31 December 2007 to all shareholders whose names appear on the register of members of Lansen Pharmaceutical BVI on 31 December 2007. The dividend was paid on 31 July 2008.

Pursuant to ordinary resolutions passed at the General Meetings held on 28 July 2008 and 19 January 2009, the directors of Lansen Pharmaceutical BVI declared an interim dividend of US4.40 cents per share, totalling USD800,000 and approved a final dividend of US18.38 cents per share, totalling USD3,340,000, respectively, in respect of the year ended 31 December 2008. Of the total dividends of USD4,140,000, amount of USD373,537 were settled by offsetting against the loans to management and amount of USD3,766,463 were settled by issuance of shares, which were previously redeemed and held as treasury shares by Lansen Pharmaceutical BVI, in lieu of payment of USD3,766,463 pursuant to the ordinary resolution pass at the General Meeting on 19 January 2009.

Pursuant to an ordinary resolution passed at the General Meeting held on 11 December 2009, the directors of Lansen Pharmaceutical BVI declared an interim dividend of US14.42 cents per share, totalling USD3,300,000 in respect of the year ended 31 December 2009. It was paid on 18 December 2009.

10. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this Financial Information, is not considered meaningful due to the Reorganization and the presentation of the results for the years ended 31 December 2007, 2008 and 2009 on the basis as disclosed in note 2.1.

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Building and plant	Machinery	Motor vehicles	Furniture and equipment	Construction in progress	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
At 1 January 2007						
Cost	2,675	2,089	356	237	3,818	9,175
Accumulated depreciation	(130)	(252)	(64)	(52)	—	(498)
Net carrying amount	2,545	1,837	292	185	3,818	8,677
Year ended 31 December 2007						
Opening net carrying amount	2,545	1,837	292	185	3,818	8,677
Exchange adjustment	182	128	17	11	279	617
Additions	—	42	76	90	3,736	3,944
Depreciation	(101)	(177)	(122)	(52)	—	(452)
Disposal	—	(2)	(32)	(5)	—	(39)
Transfer from construction in progress	4,142	1,330	—	28	(5,500)	—
Closing net carrying amount	6,768	3,158	231	257	2,333	12,747
At 31 December 2007						
Cost	7,012	3,590	421	365	2,333	13,721
Accumulated depreciation	(244)	(432)	(190)	(108)	—	(974)
Net carrying amount	6,768	3,158	231	257	2,333	12,747
Year ended 31 December 2008						
Opening net carrying amount	6,768	3,158	231	257	2,333	12,747
Exchange adjustment	437	205	14	16	152	824
Additions	—	306	57	235	264	862
Depreciation	(247)	(321)	(101)	(103)	—	(772)
Disposal	(47)	(71)	(4)	(6)	—	(128)
Transfer from construction in progress	2,706	—	—	—	(2,706)	—
Closing net carrying amount	9,617	3,277	197	399	43	13,533
At 31 December 2008						
Cost	10,059	3,827	426	600	43	14,955
Accumulated depreciation	(442)	(550)	(229)	(201)	—	(1,422)
Net carrying amount	9,617	3,277	197	399	43	13,533
Year ended 31 December 2009						
Opening net carrying amount	9,617	3,277	197	399	43	13,533
Exchange adjustment	9	3	—	1	—	13
Additions	331	350	172	272	3,162	4,287
Depreciation	(325)	(340)	(91)	(108)	—	(864)
Disposal	—	(8)	(2)	(8)	—	(18)
Transfer from construction in progress	424	12	—	—	(436)	—
Closing net carrying amount	10,056	3,294	276	556	2,769	16,951
At 31 December 2009						
Cost	10,824	4,072	574	769	2,769	19,008
Accumulated depreciation	(768)	(778)	(298)	(213)	—	(2,057)
Net carrying amount	10,056	3,294	276	556	2,769	16,951

Bank borrowings are secured on certain plant and equipment with the carrying amount of USD6,920,000, USD9,617,000 and USD9,608,000 as at 31 December 2007, 2008 and 2009, respectively.

12. LAND USE RIGHTS

Group

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Outside Hong Kong, held on:			
— Leases between 48 to 50 years	1,971	2,070	2,451
Less: Current portion included in current assets	(41)	(44)	(53)
Non-current portion included in non-current assets	1,930	2,026	2,398

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Opening net carrying amount	1,123	1,971	2,070
Additions	789	—	427
Amortisation charge for the year	(21)	(39)	(48)
Exchange adjustment	80	138	2
Closing net carrying amount	1,971	2,070	2,451
Gross carrying amount	2,020	2,161	2,591
Accumulated amortization	(49)	(91)	(140)
Net carrying amount	1,971	2,070	2,451

Bank borrowings are secured on land use rights for the carrying amount of USD1,971,000, USD2,070,000 and USD2,024,000 as at 31 December 2007, 2008 and 2009, respectively.

13. INTANGIBLE ASSETS

Group

	USD'000
At 1 January 2007	
Cost	5,481
Accumulated amortisation	(103)
Net carrying amount	5,378
Year ended 31 December 2007	
Opening net carrying amount	5,378
Addition	426
Exchange adjustment	393
Closing net carrying amount	6,197
At 31 December 2007	
Cost	6,307
Accumulated amortisation	(110)
Net carrying amount	6,197
Year ended 31 December 2008	
Opening net carrying amount	6,197
Addition	214
Exchange adjustment	404
Disposals	(16)
Closing net carrying amount	6,799
At 31 December 2008	
Cost	6,917
Accumulated amortisation	(118)
Net carrying amount	6,799
Year ended 31 December 2009	
Opening net carrying amount	6,799
Addition	874
Exchange adjustment	5
Disposals	(15)
Closing net carrying amount	7,663
At 31 December 2009	
Cost	7,781
Accumulated amortisation	(118)
Net carrying amount	7,663

Intangible assets represent intellectual property rights ("IPR") acquired/developed for the pharmaceutical technology. The directors consider these IPR have indefinite useful lives as there is no foreseeable limit on the period of time over which the IPR in pharmaceutical industry is expected to provide cash flows. These IPR can be renewable in a period of time at minimal cost and the products are continuing in the market.

If the IPR becomes impaired, the carrying amounts of the asset should be written down or written off immediately to expense. IPR with indefinite useful lives is not amortised and are tested for impairment annually, or more frequently if there are indications that IPR with indefinite useful lives might be impaired. As at 31 December 2007, 2008 and 2009, IPR with indefinite useful lives were tested for impairment using the method and assumptions set out for goodwill in note 14. No impairment was identified.

14. GOODWILL

Group

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Carrying amount			
At 1 January and 31 December	6,824	6,824	6,824

The Group acquired Ningbo Liwah and Shenzhen Lansen in year 2005. These transactions have been accounted for by the purchase method of accounting. The total cost of acquisition was USD7,362,000 and comprised a cash consideration of USD1,360,000 and an issue of up to 5,633,133 shares in Lansen Pharmaceutical BVI and cash of USD369,000 to certain individuals who were the senior management of Ningbo Liwah and Shenzhen Lansen. The shares were valued at fair value of USD1 each and certain of which would be issued to the management of Ningbo Liwah and Shenzhen Lansen if the combined pre-tax profits of existing businesses of Ningbo Liwah and Shenzhen Lansen met the profit targets for the three years following the acquisition as set out in the shareholders' agreement in relation to this acquisition. The fair value of these shares ("earn-out shares") to be issued amounting to approximately USD5,633,000 was accounted for as contingent consideration and was included in other payables upon the acquisition. As of 31 December 2007, contingent consideration of USD3,669,000 was included in other payables. During the year ended 31 December 2008, 1,964,000 issued earn-out shares amounting to USD1,964,000 were returned to the Group, contingent consideration included in other payables amounted to USD5,633,000 as of 31 December 2008. During the year ended 31 December 2009, 2,743,723 earn-out shares of USD2,744,000 were allocated to Loyal Peace Enterprises Limited, the contingent consideration included in other payables amounted to USD2,889,000 as of 31 December 2009. Details of the return and allocation of earn-out shares during the years ended 31 December 2008 and 2009, respectively, are disclosed in note 21.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purpose of impairment testing as at 31 December 2007, 2008 and 2009, goodwill and intangible assets with indefinite useful lives have been allocated to one cash-generating unit ("CGU") including subsidiaries with principal activities of manufacturing and trading of pharmaceutical products as follows:

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Goodwill	6,824	6,824	6,824
Intangible assets	6,197	6,799	7,663
	13,021	13,623	14,487

The recoverable amount for the above CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 10% which reflects specific risks relating to the CGU. The growth rate of 10% is based on pharmaceutical industry growth forecast. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. The management believe that any reasonably possible change in key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

15. LOANS TO MANAGEMENT

Included in loans to management of USD616,000, USD328,000 and nil as at 31 December 2007, 2008 and 2009, are certain loans made to directors and officers of the Company. Details disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

		2007			2008			2009		
	Loan amounts	Balance at 1 January	Balance at 31 December	Maximum amount outstanding during the year	Balance at 1 January	Balance at 31 December	Maximum amount outstanding during the year	Balance at 1 January	Balance at 31 December	Maximum amount outstanding during the year
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Director:										
XU Jun 徐軍	347	168	347	347	347	177	347	177	—	177
LIU Xiao Dong 劉曉東	110	53	110	110	110	83	110	83	—	83
Officer:										
XIE Hong Wei 謝宏偉	53	26	53	53	53	34	53	34	—	34
ZHOU Rong 周戎	53	26	53	53	53	34	53	34	—	34
		273	563		563	328		328	—	

The above amounts due were unsecured, carried interest at 6 percent per annum and were repayable after one year. The directors consider that the carrying amounts of the balances approximate to their fair value.

16. INVENTORIES

Group

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Raw materials	531	514	1,339
Work-in-progress	353	364	647
Finished goods	881	888	1,866
	1,765	1,766	3,852

All inventories are stated at cost.

17. AMOUNTS DUE FROM FELLOW SUBSIDIARIES/IMMEDIATE HOLDING COMPANY

The amounts due from fellow subsidiaries were unsecured, carried interest at 2 percent above the London Interbank Offered Rate and were repayable on demand.

The amount due from immediate holding company was unsecured, interest free and repayable on demand.

The directors consider that the carrying amounts of the balances approximate to their fair value.

18. TRADE AND OTHER RECEIVABLES

Group

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Trade receivables	9,538	12,474	13,822
Less: provision for impairment of trade receivables	(3,045)	(2,563)	(1,672)
	6,493	9,911	12,150
Bills receivable	1,638	3,304	4,984
Trade and bills receivables	8,131	13,215	17,134
Prepayments and other receivables	1,638	2,457	3,458
	9,769	15,672	20,592

Company

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Prepayment	—	—	16

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

The Group has a policy of allowing an average credit period of 90 days to its customers.

Based on the invoice dates, the ageing analysis of the trade and bills receivables of the Group as at 31 December 2007, 2008 and 2009, is as follows:

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
90 days or below	6,961	10,386	13,725
91–180 days	1,122	2,797	3,409
181–365 days	48	20	—
Over 365 days	—	12	—
	8,131	13,215	17,134

As of 31 December 2007, 2008 and 2009, trade receivables of USD250,000, USD760,000 and USD941,000, respectively, were past due but not impaired. These relate to a number of independent customers of whom there is no recent history of default. Based on past experience, the directors of the Company 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 over these balances.

The Group's ageing analysis of past due but not impaired trade receivables is as follows:

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Past due over 1–90 days	202	728	941
Past due over 91–275 days	48	20	—
Past due over 276 days	—	12	—
	250	760	941

The movements on the Group's provision for impairment of trade receivables are as follows:

	For the year ended 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
At 1 January	1,036	3,045	2,563
Exchange adjustment	147	189	2
Provision for/(reversal of) impairment of trade receivables	2,061	(671)	50
Amounts written off as uncollectible	(199)	—	(943)
At 31 December	3,045	2,563	1,672

The above provision for impairment of trade receivable is a provision for individually impaired trade receivables. The individually impaired receivables mainly relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral over these balances.

As of 31 December 2007, 2008 and 2009, a provision for impairment of other receivables of USD1,277,000, USD1,332,000 and USD1,335,000, respectively, was recognised for certain long outstanding receivables as these receivables are not expected to be fully recovered. The Group does not hold any collateral over these balances.

19. CASH AND CASH EQUIVALENTS

Group

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Cash and bank balances	7,051	9,981	4,855
Less: pledged bank deposits	(5,466)	(878)	(800)
Cash and cash equivalents	1,585	9,103	4,055

Pledged bank deposits represent the Group's bank deposits pledged to secure discounted bills which were included in other borrowings as of 31 December 2007 and bills payables as of 31 December 2008 and 2009.

As of 31 December 2007, 2008 and 2009, included in bank and cash balances of the Group was USD7,042,000, USD6,482,000 and USD4,737,000, respectively, of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency.

20. SHARE CAPITAL

Group

For the purpose of this report, the share capital of the Group as at 31 December 2007 and 2008 and 2009 represented the share capital of Lansen Pharmaceutical BVI.

Company

	At 31 December 2009	
	Number of shares	USD'000
Authorised:		
Ordinary shares of USD0.01 each	20,000,000,000	200,000
	Number of shares	**USD**
Issued and fully paid:		
Shares of USD0.01 each		
— Incorporation on 10 September 2009	1	0.01
Balance at 31 December 2009	1	0.01

The Company was incorporated on 10 September 2009 with authorised share capital of USD200,000,000 divided into 20,000,000,000 shares of which 1 share was allotted which was then transferred to Cathay International Pharma Manufacture & Distribution (China) Limited, an immediate holding company of Lansen Pharmaceutical BVI, on the same date.

21. RESERVES

The share premium represents the excess over the nominal value for shares allotted.

The statutory reserve represents appropriation of profits of the PRC subsidiaries to non-distributable reserve fund account as required by the relevant PRC statue.

The exchange equalisation reserve represents exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Treasury shares as of 1 January 2007, 31 December 2007, 2008 and 2009 represented (i) the remaining balance of the cost of shares set aside by Lansen Pharmaceutical BVI for the future issuance of the earn-out shares to the management in accordance with the shareholders' agreement regarding the acquisition of Ningbo Liwah and Shenzhen Lansen and (ii) the cost of shares of Lansen Pharmaceutical BVI redeemed from the minority shareholders upon the disposal of the CICBP Group as if such disposal had been completed prior to 1 January 2007.

In 2008, due to the deficiency in managing the Group's exposure to large potential impairment of receivables as of 31 December 2007, the Group and the management of Ningbo Liwah and Shenzhen Lansen had negotiated further modification to the financial milestones and the review period had been extended to end in 2010 and it was agreed that the issued earn-out shares in Lansen Pharmaceutical BVI of USD1,964,000 were returned to the Group and held as treasury shares for future disposition subject to satisfactory attainment of all the financial milestones as revised.

Subsequently in 2009, 2,743,723 earn-out shares of USD2,744,000 were allocated from the treasury shares to Loyal Peace Enterprises Limited ("Loyal Peace") due to partial attainment of certain milestones in relation to the financial year 2008 as revised and the ultimate issuance to the management of Ningbo Liwah and Shenzhen Lansen or to their trustees would be subject to satisfactory attainment of all the financial milestones as revised. Loyal Peace is the vehicle nominated by Cathay International Holdings Limited to hold certain shares of Lansen Pharmaceutical BVI which are earnout shares earmarked for the management team of Ningbo Liwah and Shenzhen Lansen.

22. BORROWINGS

Group

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Bank loans:			
Within one year	7,792	1,245	4,039
In the second year	962	1,844	1,340
In the third to fifth year	962	18,726	9,067
Wholly repayable within 5 years	9,716	21,815	14,446
Other borrowings due within one year	6,212	1,719	4,842
Less: amount due for settlement within one year	(14,004)	(2,964)	(8,881)
Amount due for settlement after one year	1,924	20,570	10,407

Group

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Represented by:			
Borrowings in RMB	15,928	3,988	9,969
Borrowings in USD	—	19,546	9,319
	15,928	23,534	19,288

The Group's borrowings included:

(i) bank loan of USD6,871,000, USD220,000 and USD1,904,000 as at 31 December 2007, 2008 and 2009, respectively, which was secured by a first priority legal charge over the land and plant of the Group situated in China. The loan will mature in 2010 and is repayable in Renminbi ("RMB") and carries interest at RMB borrowing rate as declared by the People's Bank of China;

(ii) bank loan of USD1,758,000 as at 31 December 2009 was guaranteed by a subsidiary of the Group. The loan will mature in 2012 and is repayable in RMB and carries interest at RMB borrowing rate as declared by the People's Bank of China;

(iii) bank loan of USD2,199,000, USD2,049,000 and USD1,465,000 as at 31 December 2007, 2008 and 2009, respectively, was guaranteed by a subsidiary of the Group and secured by a first priority legal charge over the plant and land of the Group situated in China. The loan will mature in 2010 and is repayable in RMB and carries interest at RMB borrowing rate as declared by the People's Bank of China;

(iv) bank loan of USD550,000 as at 31 December 2007 was guaranteed by a subsidiary of the Group. The loan matured in 2008 and was repayable in RMB and carried interest at RMB borrowing rate as declared by the People's Bank of China;

(v) bank loan of USD19,546,000 and USD9,319,000 as at 31 December 2008 and 2009, respectively, was secured by all fixed and floating charges over assets and undertakings of Lansen Pharmaceutical BVI and over assets of the other subsidiaries of the Group, and guaranteed by fellow subsidiaries and subsidiaries of the Group. The loan is repayable in USD and HKD and carries interest at 2 percent above the London Interbank Offered Rate and Hong Kong Interbank Offered Rate respectively. The loan is repayable in annual installments commencing in 2010. The corporate guarantees provided by fellow subsidiaries were released during the year ended 31 December 2009; and

(vi) other borrowings of USD5,466,000, USD730,000 and USD1,040,000 represented the discounted bills with recourse as at 31 December 2007, 2008 and 2009, respectively, and were secured by the pledged bank deposits. Other borrowings of USD746,000, USD989,000 and USD3,802,000 as at 31 December 2007, 2008 and 2009, respectively, represented the discounted bills with recourse and were unsecured. These borrowings matured within one year and were repayable in RMB.

The effective interest rates at the balance sheet date were as follows:

	Interest rates		
	At 31 December		
	2007	2008	2009
Borrowings in RMB	7.2%	7.32%	4.32%
Borrowings in USD	—	3.50%	2.08%

The bank loans are arranged at floating rates and the directors consider the carrying amount of the bank loans approximates their fair value.

23. DEFERRED TAX LIABILITIES

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
At 1 January	—	—	122
Withholding income tax			
— Charged to income statement	—	122	325
— Paid during the year	—	—	(53)
At 31 December	—	122	394

24. TRADE AND OTHER PAYABLES

Group

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Trade payables	2,632	3,309	4,610
Bills payables	—	295	559
Trade and bills payables	2,632	3,604	5,169
Accruals and other payables	5,848	9,376	7,812
	8,480	12,980	12,981

Based on invoice date, the ageing analysis of the trade and bills payables of the Group as at 31 December 2007, 2008 and 2009 is as follows:

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
90 days or below	1,567	1,524	2,821
91–180 days	212	713	1,422
181–365 days	550	991	450
Over 365 days	303	376	476
	2,632	3,604	5,169

The bills payables of USD295,000 and USD559,000 as at 31 December 2008 and 2009, respectively, were secured by the pledged bank deposits.

The directors consider that the carrying amount of trade payables approximates to their fair value.

25. AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY/AN INTERMEDIATE HOLDING COMPANY/A FELLOW SUBSIDIARY

The amounts due were unsecured, interest free and repayable on demand. The directors consider that the carrying amounts of the balances approximate their fair value. The directors have confirmed that the amount due to fellow subsidiary would be settled prior to the listing of the Company's shares on the Stock Exchange.

26. FINANCIAL COMMITMENTS

Operating lease commitment

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Future minimum rental payable under non-cancellable operating lease are as follows:			
Within one year	121	141	62
Between two and five years	167	62	—
	288	203	62

The Group leases certain properties under operating leases. The leases run for an initial period of one year, with options to renew the lease terms at the expiry dates or at days as mutually agreed between the Group and the respective landlords. None of these leases includes any contingent rentals.

Capital commitment

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Capital commitments authorised and contracted for:			
Development of IPR	—	—	916
Construction and equipment	471	—	444
	471	—	1,360

The Company had no financial commitments as at 31 December 2007, 2008 and 2009.

27. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration

The aggregate amount of remuneration paid and payable to the directors of the Company during the Relevant Periods are as follows:

	Fees	Salaries, allowances and benefits in kind	Defined contribution plan	Total
	USD'000	USD'000	USD'000	USD'000
For the year ended 31 December 2007				
Executive director:				
XU Jun 徐軍	—	53	4	57
LIU Xiao Dong 劉曉東	—	38	4	42
Non-executive director:				
Stephen Burnau Hunt	—	—	—	—
Lee Jin Yi 李晉頤	—	—	—	—
Tang Jun 湯軍	—	—	—	—
Tao Fang Fang 陶芳芳	—	—	—	—
Yip Pui Ling, Rebecca 葉佩玲	—	—	—	—
Independent non-executive director:				
Robert Peter Thian	—	—	—	—
Chan Kee Huen, Michael 陳記煊	—	—	—	—
Tang Chiu Ping, Raymond 鄧昭平	—	—	—	—
	—	91	8	99

	Fees	Salaries, allowances and benefits in kind	Defined contribution plan	Total
	USD'000	USD'000	USD'000	USD'000
For the year ended 31 December 2008				
Executive director:				
XU Jun 徐軍	—	113	5	118
LIU Xiao Dong 劉曉東	—	73	5	78
Non-executive director:				
Stephen Burnau Hunt	—	—	—	—
Lee Jin Yi 李晉頤	—	—	—	—
Tang Jun 湯軍	—	—	—	—
Tao Fang Fang 陶芳芳	—	—	—	—
Yip Pui Ling, Rebecca 葉佩玲	—	—	—	—
Independent non-executive director:				
Robert Peter Thian	—	—	—	—
Chan Kee Huen, Michael 陳記煊	—	—	—	—
Tang Chiu Ping, Raymond 鄧昭平	—	—	—	—
	—	186	10	196

	Fees	Salaries, allowances and benefits in kind	Defined contribution plan	Total
	USD'000	USD'000	USD'000	USD'000
For the year ended 31 December 2009				
Executive director:				
XU Jun 徐軍	—	151	11	162
LIU Xiao Dong 劉曉東	—	100	9	109
Non-executive director:				
Stephen Burnau Hunt	—	—	—	—
Lee Jin Yi 李晉頤	—	—	—	—
Tang Jun 湯軍	—	—	—	—
Tao Fang Fang 陶芳芳	—	—	—	—
Yip Pui Ling, Rebecca 葉佩玲	—	—	—	—
Independent non-executive director:				
Robert Peter Thian	—	—	—	—
Chan Kee Huen, Michael 陳記煊	—	—	—	—
Tang Chiu Ping, Raymond 鄧昭平	—	—	—	—
	—	251	20	271

Five highest paid individuals

The five highest paid individuals consisted of one, two and two directors for the years end 31 December 2007, 2008 and 2009, respectively, details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining four, three and three highest paid individuals for the years ended 31 December 2007, 2008 and 2009, respectively, are as follows:

	For the year ended 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Salaries, allowances and benefits in kind	293	174	262
Pension	12	14	27
	305	188	289

The remuneration paid to each of the above non-director individuals for the years end 31 December 2007, 2008 and 2009 fell within the following bands:

	Number of individuals		
	For the year ended 31 December		
	2007	2008	2009
Nil–USD128,000	4	3	3

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

No emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or compensation for loss of office during the Relevant Periods.

28. RISK MANAGEMENT

The Group is exposed to a variety of financial risks which result from its operating and investing activities. The Group's risk management is coordinated at its headquarters in close cooperation with the directors and focuses on actively securing the Group's short to medium term cash flows.

The directors consider the book value of all instruments to be their fair value.

Credit Risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and amounts due from fellow subsidiaries, which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

In order to minimise the credit risk, the management of the Group has formulated a credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The credit risk on liquid funds is limited because the counterparties are reputable banks.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity Risk

The directors of the Company have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Group

	At 31 December 2007			
	Within one year	Between one and two years	Between two and five years	Total
	USD'000	USD'000	USD'000	USD'000
Interest-bearing bank and other borrowings	14,369	1,086	1,021	16,476
Trade and bills payables	2,632	—	—	2,632
Other payables and accruals	5,848	—	—	5,848
Amount due to immediate holding company	47	—	—	47
Amount due to an intermediate holding company	5	—	—	5
Dividend payables	1,226	—	—	1,226
	24,127	1,086	1,021	26,234

Group

	At 31 December 2008			
	Within one year	Between one and two years	Between two and five years	Total
	USD'000	USD'000	USD'000	USD'000
Interest-bearing bank and other borrowings	3,811	2,585	19,689	26,085
Trade and bills payables	3,604	—	—	3,604
Other payables and accruals	9,376	—	—	9,376
Dividend payables	800	—	—	800
	17,591	2,585	19,689	39,865

	At 31 December 2009			
	Within one year	Between one and two years	Between two and five years	Total
	USD'000	USD'000	USD'000	USD'000
Interest-bearing bank and other borrowings. . .	9,344	1,724	9,413	20,481
Trade and bills payables	5,169	—	—	5,169
Other payables and accruals.	7,812	—	—	7,812
Amount due to a fellow subsidiary	311	—	—	311
	22,636	1,724	9,413	33,773

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

Company

	At 31 December 2009			
	Within one year	Between one and two years	Between two and five years	Total
	USD'000	USD'000	USD'000	USD'000
Amount due to a subsidiary	16	—	—	16

Foreign Currency Risk

The Group has minimal transactional currency exposure to foreign currency risk as most of the financial assets and liabilities held by the Group's subsidiaries (except for the Group's treasury investments which are mainly denominated in United States Dollars) are denominated in the respective functional currency of such subsidiaries.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. The interest rate and terms of repayment of bank borrowings of the Group are disclosed in note 22. The Group currently does not have an interest rate hedging policy.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points lower/higher and all other variables were held constant, the Group's:

- Profit for the year ended 31 December 2007, 2008 and 2009 and retained profits as at 31 December 2007, 2008 and 2009 would increase/decrease by USD40,000, USD109,000 and USD70,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings; and

- Equity as at 31 December 2007, 2008 and 2009 would increase/decrease by USD40,000, USD109,000 and USD70,000, respectively.

The Group's sensitivity to interest rates has increased during the year ended 31 December 2008 and decreased during the year ended 31 December 2009 mainly due to the increase/decrease in variable rate borrowings.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

Summary of financial assets and liabilities by category

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities.

Group

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Financial assets			
Loans and receivables:			
Loans to management	616	328	—
Amounts due from fellow subsidiaries	2	3,404	—
Trade and other receivables	9,769	15,029	18,769
Pledged bank deposits	5,466	878	800
Cash and cash equivalents	1,585	9,103	4,055
	17,438	28,742	23,624
Financial liabilities			
Financial liabilities at amortised cost:			
Borrowings	15,928	23,534	19,288
Dividend payables	1,226	800	—
Amount due to immediate holding company	47	—	—
Amount due to an intermediate holding company	5	—	—
Amount due to a fellow subsidiary	—	—	311
Trade and other payables	8,480	12,980	12,981
	25,686	37,314	32,580

Company

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Financial liabilities			
Financial liabilities at amortised cost:			
Amount due to a subsidiary	—	—	16

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 31 December 2009.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In other to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The gearing ratios at the end of the reporting periods were as follows:

	At 31 December		
	2007	2008	2009
	USD'000	USD'000	USD'000
Borrowings	15,928	23,534	19,288
Cash and bank balances *(note 19)*	(7,051)	(9,981)	(4,855)
Net debt	8,877	13,553	14,433
Equity	21,039	22,742	29,956
Net debt to equity ratio	42.2%	59.6%	48.2%

29. RELATED PARTY TRANSACTIONS

Apart from those transactions and balances with related parties disclosed in notes 15, 17, 25 and 27, the following transactions were carried out with related parties during the years:

		For the year ended 31 December		
	Note	2007	2008	2009
		USD'000	USD'000	USD'000
Non-recurring:				
Service income received from a fellow subsidiary	(i)	212	—	—
Interest income receivable from a fellow subsidiary	(ii)	—	156	213
Interest income receivable from management	(iii)	—	34	—
Rental fees paid to a fellow subsidiary	(iv)	—	(14)	(38)

(i) During the year end 31 December 2007, Shenzhen Lansen provided design and promotional services to a fellow subsidiary. The service fees charged were based on actual costs incurred with no margin gain. It was a one-off transaction and non-recurring.

(ii) Interest income receivable from loan to a fellow subsidiary. The loan was financed by the Group's borrowings from banker which guaranteed by fellow subsidiaries. The corporate guarantees provided by fellow subsidiaries were released during the year ended 31 December 2009.

(iii) Interest income receivable from loan to the Group's management team.

(iv) Fees paid to a fellow subsidiary for rental of hotel and meeting room for daily operation of the Group.

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Company's business.

Remuneration for key management personnel represents amounts paid to the Company's directors as disclosed in note 27.

30. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2009, the Group's bank borrowings of USD10,300,000, which were secured by a corporate guarantees from a fellow subsidiary, had been assigned to that fellow subsidiary. Such assignment of bank borrowings was offset against the balance of the loan to the fellow subsidiary. After such assignment of bank borrowings, the corporate guarantees previously provided by that fellow subsidiary were released.

(b) During the year ended 31 December 2007, the final dividends in respect of the year ended 31 December 2005 totaling USD405,000 was settled by the issuance of 405,367 ordinary shares of USD1 each in Lansen Pharmaceutical BVI.

During the year ended 31 December 2009, the interim dividend payable as of 31 December 2008 and final dividends in respect of the year ended 31 December 2008 totaling USD4,140,000 was settled by offsetting against the loans to management and the issuance of ordinary shares of USD1 each in Lansen Pharmaceutical BVI, which were previously redeemed and held as treasury shares by Lansen Pharmaceutical BVI.

31. SUBSEQUENT EVENTS

There were no material subsequent events in respect of any period subsequent to 31 December 2009 except for:

(1) On 9 April 2010, the Group completed the Reorganization in preparing for the listing of the Company's shares on the Stock Exchange.

(2) On 9 April 2010, the Company declared a dividend of US1.8 cents per share, totalling approximately USD5.39 million, to the then shareholders.

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2009.

Yours faithfully,

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

The information set forth in this appendix does not form part of the accountants' report prepared by Grant Thornton, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only.

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Listing Rules is set forth below to provide the prospective investors with further information on how the Share Offer might have affected the net tangible assets of the Group after the completion of the Share Offer.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of the Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer on the net tangible assets of the Group attributable to owners of the Company as if the Share Offer had taken place on 31 December 2009. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group had the Share Offer been completed as of 31 December 2009 or at any future dates.

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2009 (Note 1)	**Estimated net proceeds from the Share Offer (Note 2)**	**Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company**	**Unaudited pro forma adjusted net tangible assets per Share (Note 3)**	**Unaudited pro forma adjusted net tangible assets per Share (Note 3)**
	USD'000	**USD'000**	**USD'000**	**USD**	**Equivalent to HK$**
Based on an Offer Price of HK$2.95 per Share . .	15,469	33,252	48,721	0.12	0.95
Based on an Offer Price of HK$3.91 per Share . .	15,469	45,035	60,504	0.15	1.18

Notes:

(1) The unadjusted audited combined net tangible assets of the Group attributable to equity shareholders of the Company as at 31 December 2009 is extracted from the Accountants' Report set out in Appendix I to this prospectus, after adjusting for goodwill and other intangible assets of approximately USD6,824,000 and USD7,663,000 respectively.

(2) The estimated net proceeds from the Share Offer are based on the Offer price of HK$2.95 and HK$3.91 per Share respectively, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Share which may be issued upon the exercise of Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after making the adjustments referred to in the preceding paragraph and on the basis that a total of 400,000,000 Shares were in issue (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Share Offer but without taking into account any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option).

(4) Our property interests were valued by Greater China Appraisal Limited and the valuation in respect of which was set out in Appendix IV to this prospectus. Pursuant to the valuation performed by Greater China Appraisal Limited, our property interest as at 28 February 2010 amounted to approximately USD15,720,000. Comparing the valuation amount as at 28 February 2010 to the unaudited net carrying value of our property interests as at 28 February 2010 of USD15,328,000, there was a surplus of approximately USD392,000. If such revaluation surplus was incorporated in the Group's financial statements for the year ending 31 December 2010, additional amortization and depreciation of USD9,000 would be charged. The revaluation surplus will not be reflected in the financial statements in subsequent year as we have elected to state the property interests at cost.

(5) The translation of United States dollars into Hong Kong dollars has been made at the rate of USD1 to HK$7.78. No representation is made that the United States dollars amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate, or at any other rate or at all.

B. UNAUDITED PRO FORMA FORECAST BASIC EARNINGS PER SHARE

The following unaudited pro forma forecast basic earnings per Share has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer as if it had taken place on 1 January 2010. This unaudited pro forma forecast basic earnings per Share has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial results of the Group following the Share Offer or for any future period.

For the six months ending 30 June 2010

Forecast consolidated net profit attributable to equity holders of the Company[(1)] . . . . . not less than USD4.8 million (equivalent to approximately HK$37.3 million)

Unaudited forecast proforma earnings per Share[(2)]. . . . . not less than US1.2 cents (equivalent to approximately HK9.3 cents)

Notes:

(1) *The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this prospectus.*

(2) *The calculation of forecast proforma earnings per Share for the six months ending 30 June 2010 is based on the forecast consolidated net profit attributable to equity holders of the Company for the six months ending 30 June 2010 and assuming that the Share Offer had occurred on 1 January 2010 and a total of 400,000,000 Shares had been in issue during the six months ending 30 June 2010 but without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option. We have undertaken to the Stock Exchange that our interim report for the six months ending 30 June 2010 will be audited pursuant to Rule 11.18 of the Listing Rules.*

C. ACCOUNTANTS' REPORTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

Set out below is the text of the letter received from our reporting accountants, Grant Thornton, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information for the purpose of incorporation in this prospectus.

Member of Grant Thornton International Ltd

The Directors
Lansen Pharmaceutical Holdings Limited

27 April 2010

Dear Sirs,

Lansen Pharmaceutical Holdings Limited

We report on the unaudited pro forma financial information of Lansen Pharmaceutical Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages II-1 to II-3 under the heading of "Unaudited Pro Forma Adjusted Net Tangible Assets" and "Unaudited Pro Forma Forecast Basic Earnings Per Share" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's prospectus dated 27 April 2010, in connection with the share offer of the Company (the "Prospectus"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the share offer of the Company might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-3 of the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited 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 Auditing 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").

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules on the Unaudited 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 Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the audited combined net assets of the Group attributable to the Company's equity holders as of 31 December 2009 with the Accountants' Report as set out in Appendix I of the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of

— the financial position of the Group as at 31 December 2009 or any future date, or

— the earnings per share of the Group for the six months ending 30 June 2010 or any future periods.

Opinion

In our opinion:

a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

The forecast of the consolidated profit attributable to the Shareholders for the six months ending 30 June 2010 is set out in the section entitled "Financial Information" in this prospectus.

A. BASES AND ASSUMPTIONS

The Directors have prepared the forecast of the consolidated profit of the Company for the six months ending 30 June 2010, based on the audited consolidated results of the Group for the year ended 31 December 2009, the results shown in the unaudited management accounts for the two months ended 28 February 2010 and a forecast of results for the remaining four months ending 30 June 2010. The profit forecast has been prepared on the basis of accounting policies consistent in all material respects with the accounting policies we have presently adopted as set out in Appendix I to this prospectus and on the assumptions prepared by the Directors:

- There will be no material change in existing political, legal, fiscal, market or economic conditions in the PRC or any other country or territory in which the Group currently operates or which are otherwise material to the Group's business;

- There will be no changes in legislation, regulations or rules in the PRC or any other country or territory in which the Group operates or with which the Group has arrangements or agreements, which materially adversely affect its business;

- There will be no material change in the bases or rates of taxation in the PRC or any other country or territory in which the Group operates, except as otherwise disclosed in this prospectus;

- There will be no material changes in inflation rates, interest rates or foreign currency exchange rates from those currently prevailing;

- Our operations will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters, epidemics or serious accidents;

- The Group's operations, results, and financial position will not be adversely affected by the risk factors described under the "Risk Factors" section of the Prospectus; and

- There will be no material change in credit policies offered to customers and granted by suppliers of the Group during the Forecast Period.

B. LETTER FROM THE REPORTING ACCOUNTANTS ON THE PROFIT FORECAST

The following is the text of the letter, prepared for inclusion in this prospectus, received from the reporting accountants, Grant Thornton, Certified Public Accountants, Hong Kong, in connection with the profit forecast of the Group for the six months ending 30 June 2010.

Grant Thornton
均富

Member of Grant Thornton International Ltd

The Directors
Lansen Pharmaceutical Holdings Limited
Piper Jaffray Asia Limited

27 April 2010

Dear Sirs,

Lansen Pharmaceutical Holdings Limited

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the combined profit after taxation of Lansen Pharmaceutical Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ending 30 June 2010 (the "Profit Forecast") as set out in the subsection headed "Profit forecast for the six months ending 30 June 2010" in the section headed "Financial information" in the prospectus of the Company dated 27 April 2010 (the "Prospectus").

We conducted our work in accordance with the Auditing Guideline 3.341 on "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Group for the year ended 31 December 2009, the unaudited combined results based on management accounts for the two months ended 28 February 2010 and a forecast of the combined results of the Group for the four months ending 30 June 2010 on the basis that the current Group structure had been in existence throughout the whole six months period ending 30 June 2010.

In our opinion, the Profit Forecast, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company as set out in Part A of Appendix III to the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in our accountants' report dated 27 April 2010, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

C. LETTER FROM THE SOLE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus, we have received from Piper Jaffray Asia Limited, the Sole Sponsor, in connection with the forecast of the consolidated profit of the Company for the six months ending 30 June 2010.

PiperJaffray®

3902B, 39/F., Tower 1
Lippo Center
89 Queensway
Hong Kong

27 April 2010

The Directors
Lansen Pharmaceutical Holdings Limited

Dear Sirs,

We refer to the forecast of the consolidated profit of Lansen Pharmaceutical Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") for the six months ending 30 June 2010 (the "**Profit Forecast**") as set out in the prospectus issued by the Company dated 27 April 2010 (the "**Prospectus**").

We understand that the Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited results of the Group for the year ended 31 December 2009, the unaudited management accounts of the Group for the two months ended 28 February 2010 and a forecast of the results of the Group for the remaining four months ending 30 June 2010.

We have discussed with you the bases and assumptions made by the directors of the Company as set out in Appendix III to the Prospectus upon which the Profit Forecast has been made. We have also considered the letter dated 27 April 2010, addressed to yourselves and ourselves from Grant Thornton regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Grant Thorton, we are of the opinion that the Profit Forecast, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Piper Jaffray Asia Limited
Stacey Wong
Head of Investment Banking

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus and received from Greater China Appraisal Limited, an independent valuer, in connection with their valuations of the property interests of the Group as at 28 February 2010.

GREATER CHINA APPRAISAL LIMITED
漢華評值有限公司

Room 2703
Shui On Centre
6–8 Harbour Road
Wanchai
Hong Kong

27 April 2010

The Directors
Lansen Pharmaceutical Holdings Limited
Suite 1203–4
12/F., Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties of Lansen Pharmaceutical Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the capital values of such properties as of 28 February 2010 (referred to as the "date of valuation").

This letter, which forms part of our valuation report, explains the basis and methodology of valuation, clarifies our assumptions made, titleship of property and the limiting conditions.

BASIS OF VALUATION

The valuation is our opinion of the market value which we would define as intended to mean:

> "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

In the course of our valuation, we have valued the properties in their designed uses with the understanding that the properties will be used as such (hereafter referred to as "continued use").

VALUATION METHODOLOGY

Unless stated otherwise, all properties are valued by the comparison method where comparison based on prices realized or market prices of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

For specialized properties numbered 1–2, due to the nature of buildings and structures constructed, there are no readily identifiable market comparables to them, we have applied the cost method of valuation in assessing the property. It is a method of using current replacement costs to arrive at the value to the business in occupation of the property as existing at the date of valuation.

This method of valuation, cost method, is based on an estimate of the market value for the existing use of the land, plus the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

The cost method generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the properties in their continued uses and in their existing states without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the properties.

Continued use assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued use does not represent the amount that might be realized from piecemeal disposition of the property on the open market.

For the properties which are held under long term land use rights, we have assumed that the owners of the properties have free and uninterrupted rights to use or transfer the properties for the whole of the unexpired term of the respective land use rights. In our valuation, we have assumed that the properties can be freely disposed of and transferred to third parties on the open market without any additional payment to the relevant government authorities. Unless stated as otherwise, vacant possession is assumed for the property concerned.

We have assumed that all consents, approvals and licences from relevant government authorities for the buildings and structures erected thereon have been granted. Also, we have assumed that all buildings and structures fall within the site are held by the owner or permitted to be occupied by the owner.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. Moreover, it is assumed that the utilization of the land and improvements is within the boundaries of the property described and that no encroachment or trespass exists, unless noted in the report.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. In addition, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

Other special assumptions of each property, if any, have been stated out in the footnotes of the valuation certificate.

TITLESHIP INVESTIGATION

For the properties classified as Group I which are owned in the PRC, we have been provided with copy of title documents. However, due to the current registration system of the PRC under which the registration information is not accessible to the public, no investigations have been made for the legal title or any material liabilities attached to the property.

For the properties classified as Group II which are rented to the Group, we have been provided with copy of tenancy agreements. However, we have not inspected the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copies handed to us.

In the course of our valuation, we have relied upon the legal opinions as stated in the title report given by JT&N Law Firm ("The PRC Legal Advisor") in relation to the legal title to the properties located in the PRC under valuation.

All legal documents disclosed in this report are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interest set out in this report.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the properties included in the attached valuation certificates. However, no structural survey has been made and we are therefore unable to report as to whether the property is free from rot, infestation or any other structural defects. Also, no tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the land or building areas in respect of the properties but have assumed that the areas shown on the legal documents provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

No soil investigation has been carried out to determine the suitability of the ground conditions or the services for any property development.

We do not investigate any industrial safety, environmental and health related regulations in association with any particular manufacturing process of the Group. It is assumed that all necessary licences, procedures and measures were implemented in accordance with government legislation and guidance.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us by it on such matters as planning approvals, statutory notices, easements, tenure, occupation, rentals, site and floor areas and in the identification of the property in which the Group has valid interests. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Company that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the property valued nor for any expenses or taxation which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the interests are free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Since the property is located in a relatively under-developed market, the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the property depending upon the assumptions made. While the valuer has exercised his professional judgment in arriving at the value, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

OPINION OF VALUE

Valuation figures of the properties held by the Group are shown in the attached summary of valuation and their respective valuation certificates.

For the properties classified under Group II which are rented by the Group from independent third party under tenancy agreement, they have no commercial value due to inclusion of non-alienation clause or otherwise due to lack of substantial profit rent or short term nature.

REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements of the rules governing the listing of securities of The Stock Exchange of Hong Kong Limited including but not limited to Chapter 5 and Practice Note 12.

In valuing the property interests, we have complied with the requirements contained in the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors and effective from 1 January 2005.

All property values are stated in US Dollars (USD). Where applicable, exchange rate of USD1 to RMB6.80 Chinese Renminbi was adopted which is the prevailing exchange rate as at the date of valuation.

We enclose herewith the summary of valuation and valuation certificates.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

K. K. Ip *BLE, LLD*
Chartered Valuation Surveyor
Registered Professional Surveyor
Managing Director

Note: Mr. K. K. Ip, is a chartered valuation surveyor and registered professional surveyor, has substantial experience in valuation of property in the PRC since 1992.

SUMMARY OF VALUATION

No.	Property	Market value as at 28 February 2010
Group I — Property Interests held by the Group for owner-occupation		
1.	Land, buildings occupied by Ningbo Liwah Pharmaceutical Company Limited at Lots 15-14-514,15-14-515 and 15-14-528, Xinlian Village, Gaoqiao Town, Yinzhou District, Ningbo, Zhejiang Province, The PRC	USD9,660,000
2.	Land, buildings and structures occupied by Ningbo Liwah Plant Extraction Technology Limited at No. 899 Fengming Road, Xiepu Town, Zhenhai District, Ningbo, Zhejiang Province, The PRC	USD5,220,000
3.	No. 109, Block 14, 818 Qiming Road, Xiaying Street, Yinzhou District, Ningbo, Zhejiang Province, The PRC	USD840,000
	Sub-total:	USD15,720,000
Group II — Property Interests rented by the Group in the PRC		
4.	29/F, Block B, Chang Xing Tower, 4002 North Huaqiang Road, Shenzhen, Guangdong Province, The PRC	No commercial value
5.	1st Floor, Block 1, Xinjihui Industrial Park, Shangxueheshu Road, Bantian Street Xuexiang Area, Longgang District, Shenzhen, Guangdong Province, The PRC	No commercial value
6.	Northern portion of 3rd Floor, Block 4, Xinjihui Industrial Park, Shangxueheshu Road, Bantian Street Xuexiang Area, Longgang District, Shenzhen, Guangdong Province, The PRC	No commercial value
	Sub-total:	No commercial value
	Grand-total:	USD15,720,000

VALUATION CERTIFICATE

Group I — Property Interests held by the Group for owner-occupation

No.	Property	Descriptions	Particulars of Occupancy	Market value as at 28 February 2010
1.	Land, buildings occupied by Ningbo Liwah Pharmaceutical Company Limited at Lots 15-14-514,15-14-515 and 15-14-528 Xinlian Village Gaoqiao Town Yinzhou District Ningbo Zhejiang Province The PRC	The property comprises 3 parcels of land (the "Lands") with a land area of 42,529.10 square metres, 10 buildings (the "Buildings") erected on the Land. The Buildings were completed between 2004 and 2008. The total gross floor area of the Buildings is approximately 13,758.59 square metres. Detailed breakdown is shown as follows: **Buildings** / **No. of Blocks** / **No. of Storeys** / **Gross Floor Area (sq.m.)** Factory . . . . 2 1 7,663.17 Warehouse . . 2 1–2 2,087.24 Office . . . . . 1 3 2,125.40 Ancillary . . . 5 1–2 1,882.78 Total: . . . . . 10 13,758.59 As at the date of valuation, construction of injection preparation workshop with a gross floor area of approximately 6,473 square metres was in progress. Moreover, as at the valuation date, modification works of GSP warehouse and municipal engineering centre and GMP were in progress. As advised by Ningbo Liwah, the construction-in-progress has been completed in the end of 2009. The property is held under 3 sets of State-owned Land Use Rights Certificate for the latest term expiring on 18 November 2056 for industrial use.	The property is currently occupied by the Group as a pharmaceutical production factory.	USD9,660,000

Notes:

(i) According to 3 sets of State-owned Land Use Rights Certificate between 9 December 2008 and 13 August 2009, the land use rights of the Lands have been granted to Ningbo Liwah Pharmaceutical Company Limited ("Ningbo Liwah", a wholly-owned subsidiary of the Company). Details are shown as follows:

Land Use Rights Certificate No.	*Nature of land*	*Land use*	*Land area (sq.m.)*	*Land use rights term*
Yong Yin Guo Yong (2008) No. 15-08098	*Grant*	*Industrial*	*8,117.80*	*To be expired on 30 July 2053*
Yong Yin Guo Yong (2008) No. 15-08099	*Grant*	*Industrial*	*28,561.30*	*To be expired on 30 July 2053*
Yong Yin Guo Yong (2009) No. 15-06065	*Grant*	*Industrial*	*5,850.00*	*To be expired on 18 November 2056*
		Total:	*42,529.10*	

(ii) The Lands of the property were acquired on 27 September 2002 with an acquisition cost of RMB7,680,000.

(iii) According to 3 sets of Building Ownership Certificate (Yin Fang Quan Zheng Gao Zi Nos. 200819710, 200819711 and 200904730), the Buildings with a total gross floor area of 13,758.59 square metres are held by Ningbo Liwah.

(iv) Ningbo Liwah has obtained a Construction Land Use Planning Approval ((2005) Zhe Gui Di Zheng 026610), a Construction Work Planning Approval (Jian Zi Di (2009) Zhe Gui (Jian) Zheng No. 0260714) and a Construction Work Commencement Permit (330227200905110101) by which Ningbo Liwah is permitted to construct the GSP warehouse and workshop with gross floor area of approximately 6,473 square metres.

(v) For the construction-in-progress, approximately USD259,000 of construction costs reflecting the physical state of construction on site was incurred as at the date of valuation. The incurred cost has been taken into account in the valuation.

(vi) Opinions of the PRC Legal Advisor are summarized as follows:

(a) Ningbo Liwah has obtained 3 sets of State-owned Land Use Rights Certificate dated 9 December 2008 or 13 August 2009 by which the land use rights of the Lands have been granted to Ningbo Liwah for industrial use with land use rights term expiring on 30 July 2053 or 18 November 2056.

(b) Ningbo Liwah has fully settled the land premiums in respect of the Lands.

(c) Ningbo Liwah has obtained 3 sets of Building Ownership Certificate dated 26 November 2008 or 26 March 2009 in respect of the Buildings.

(d) Ningbo Liwah is the legal holder of the land use rights of the Land and the building ownership rights of the Buildings. During the term of the land use rights, Ningbo Liwah has the right to use, occupy, transfer, lease, mortgage or otherwise dispose of the Lands and the Buildings with exception of those mortgaged Lands and Buildings. For the mortgaged Lands and Buildings, Ningbo Liwah has the rights to use and occupy, and also has the rights to lease, mortgage or transfer the property if obtained the consent by mortgagor.

(e) Regarding the GSP warehouse and workshop which was being constructed as at the date of valuation, Ningbo Liwah has obtained necessary approvals or permits from the relevant authorities. Ningbo Liwah has the right to use, occupy, transfer, lease, mortgage or otherwise legally dispose of the construction-in-progress.

(f) The land under Land Use Rights Certificate Yong Yin Guo Yong (2008) No. 15-08099 and the buildings under Buildings Ownership Certificates Yin Fang Quan Zheng Gao Zi Nos. 200819710 and 200819711 are subject to mortgage in favour of Bank of China Ningbo Jiangdong Branch.

VALUATION CERTIFICATE

No.	Property	Descriptions	Particulars of Occupancy	Market value as at 28 February 2010
2.	Land, buildings and structures occupied by Ningbo Liwah Plant Extraction Technology Limited at No.899 Fengming Road Xiepu Town Zhenhai District Ningbo Zhejiang Province The PRC	The property comprises a parcel of land (the "Land") with a land area of 21,120 square metres, 7 buildings (the "Buildings") erected on the Land. The Buildings were completed in 2007. The total gross floor area of the Buildings is approximately 5,639.73 square metres. Detailed breakdown is shown as follows: **Buildings** / **No. of Blocks** / **No. of Storeys** / **Gross Floor Area (sq.m.)** Factory . . . . 3 1–4 4,396.47 Warehouse . . 2 1 1,154.54 Ancillary . . . 2 1 88.72 Total: . . . . . 7 5,639.73 The structures comprise canteen, boundary walls, steel shed, etc. The property is held under a State-owned Land Use Rights Certificate for a term expiring on 29 September 2055 for industrial use.	The property is currently occupied by the Group as a plant extraction factory. As at the date of valuation, parts of the property including the raw material workshop and the extraction workshop, with a total gross floor area of 3,746.55 square metres, have been rented to Ningbo Liwah (a wholly-owned subsidiary of the Company) for production use from 1 January 2010 to 31 December 2010 at a monthly rent of RMB30,000.	USD5,220,000

Notes:

(i) According to a State-owned Land Use Rights Certificate (Zhen Guo Yong (2007) No. 0003949) issued by People's Government of Ningbo dated 22 June 2007, the land use rights of the Land have been granted to Ningbo Liwah Plant Extraction Technology Limited ("Liwah Zhiti", a wholly-owned subsidiary of the Company) for a term expiring on 29 September 2055 for industrial use.

(ii) The Land of the property was acquired on 31 December 2006 with an acquisition cost of RMB5,068,800.

(iii) According to 7 sets of Building Ownership Certificate (Fang Quan Zheng Zhen Xie Zi Nos. 2009002232 to 2009002238), the Buildings with a total gross floor area of 5,639.73 square metres are held by Liwah Zhiti.

(iv) Opinions of the PRC Legal Advisor are summarized as follows:

(a) Liwah Zhiti has obtained a State-owned Land Use Right Certificate dated 22 June 2007 by which the land use rights of the Land have been granted to Liwah Zhiti for industrial use with land use rights term expiring on 29 September 2055.

(b) Liwah Zhiti has fully settled the land premiums in respect of the Land.

(c) Liwah Zhiti has obtained 7 sets of Building Ownership Certificate dated 25 March 2009 in respect of the Buildings.

(d) Liwah Zhiti is the legal holder of the land use rights of the Land and the building ownership rights of the Buildings. During the term of the land use rights, Liwah Zhiti has the right to use and occupy, and also has the rights to lease, mortgage or transfer the property if obtained the consent by mortgagor.

(e) The property is subject to mortgage in favour of Hua Xia Bank Ningbo Branch.

VALUATION CERTIFICATE

No.	Property	Descriptions	Particulars of Occupancy	Market value as at 28 February 2010
3.	No. 109, Block 14 818 Qiming Road Xiaying Street Yinzhou District Ningbo Zhejiang Province The PRC	The property comprise a parcel of land (the "Land") with a land area of 360.70 square metres, a block of 4-storey building (the "Building") erected on the Land. The Building was completed in 2009. The gross floor area of the Building is approximately 866.66 square metres. The property is held under a State-owned Land Use Rights Certificate for a term expiring on 17 November 2056 for industrial use.	The property is currently occupied by Ningbo Lansen as an office.	USD840,000

Notes:

(i) According to a State-owned Land Use Rights Certificate (Yong Yin Guo Yong (2009) No. 09-05416) issued by People's Government of Ningbo dated 14 December 2009, the land use rights of the Land have been granted to Ningbo Lansen Pharmaceutical Company Limited ("Ningbo Lansen", a wholly-owned subsidiary of the Company) for a term expiring on 17 November 2056 for industrial use.

(ii) According to a Building Ownership Certificate (Yong Fang Quan Zheng Yin Zhou Qu Zi Di No. 200964035) dated 30 November 2009 issued by Building Management Bureau of Ningbo, the Building is held by Ningbo Lansen for industrial use.

(iii) The property was acquired under the agreement dated on 9 November 2009 with an acquisition cost of RMB5,000,000.

(iv) Opinions of the PRC Legal Advisor are summarized as follows:

(a) Ningbo Lansen is the legal holder of the land use rights of the Land and the building ownership rights of the Building.

(b) During the term of the land use rights, Ningbo Lansen has the right to use, occupy, transfer, lease, mortgage or otherwise dispose of the Land and the Building.

VALUATION CERTIFICATE

Group II — Property Interests rented by the Group in the PRC

No.	Property	Descriptions and Occupancy	Market value as at 28 February 2010
4.	29th Floor Block B Chang Xing Tower No. 4002 North Huaqiang Road Shenzhen Guangdong Province The PRC	The property comprises a floor within a 29-storey office building completed in 1996. The gross floor area of the property is approximately 920 square metres. The property is held under a tenancy agreement dated 15 May 2007 between 深圳市長城投資控股股份有限公司 (Shenzhen Changcheng Investment Holding Company Limited) as lessor and Lansen Medicine (Shenzhen) Company Limited ("Shenzhen Lansen", a wholly-owned subsidiary of the Company) as lessee for a term of 3 years from 15 May 2007 to 31 May 2010 at a monthly rent of RMB64,400 for the first year; RMB66,700 for the second year; and RMB73,600 for the third year exclusive management fees. The tenancy is not assignable. The property is currently occupied by Shenzhen Lansen as an office.	No commercial value

Notes:

Opinions of the PRC Legal Advisor are summarized as follows:

(a) The tenancy agreement is legal, valid and enforceable.

(b) The lessor has the right to lease the property and Shenzhen Lansen has the right to use the property in accordance with the tenancy agreement.

(c) The tenancy agreement has been registered at Shenzhen Futian District Property Leasing Administration Authority.

VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market value as at 28 February 2010
5.	1st Floor, Block 1 Xinjihui Industrial Park Shangxueheshu Road Bantian Street Xuexiang Area Longgang District Shenzhen Guangdong Province The PRC	The property comprises a floor within a 5-storey industrial building completed in 2007. The gross floor area of the property is approximately 500 square metres. The property is held under a tenancy agreement dated 1 September 2009 between 深圳市新基匯實業有限公司 (Shenzhen Xinjihui Industrial Company Limited) as lessor and Lansen Medicine (Shenzhen) Company Limited ("Shenzhen Lansen", a wholly-owned subsidiary of the Company) as lessee for a term from 28 August 2009 to 28 June 2010 at a monthly rent of RMB10,000. The tenancy is not assignable. The property is currently occupied by Shenzhen Lansen as a warehouse.	No commercial value

Notes:

Opinions of the PRC Legal Advisor are summarized as follows:

(a) The tenancy agreement has been registered at Shenzhen Longgang District Property Leasing Administration Authority.

(b) The PRC Legal Advisor has not been provided with any title documents of the property nor any documents confirming property owner's consent to lease the property.

(c) There exists a risk that Shenzhen Lansen may not have the right to continue to use the property if the lessor is proved not to have the ownership of the property or not to have the consent from the property owner to lease the property.

(d) Shenzhen Lansen confirms that similar properties are readily available in the area and relocation of the property will not be disruptive to the Group's operations should circumstances arise that the tenancy agreement will have to be terminated and Shenzhen Lansen will have to relocate.

VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market value as at 28 February 2010
6.	Northern portion of 3rd Floor, Block 4 Xinjihui Industrial Park Shangxueheshu Road Bantian Street Xuexiang Area Longgang District Shenzhen Guangdong Province The PRC	The property comprises certain spaces within a 5-storey industrial building completed in 2007. The gross floor area of the property is approximately 568 square metres. The property is held under a tenancy agreement dated 12 November 2009 between 陳基偉 (Chen Jiwei) as lessor and Lansen Medicine (Shenzhen) Company Limited ("Shenzhen Lansen", a wholly-owned subsidiary of the Company) as lessee for a term from 10 October 2009 to 28 June 2010 at a monthly rent of RMB9,656. The tenancy is not assignable. The property is currently occupied by Shenzhen Lansen as a warehouse.	No commercial value

Notes:

Opinions of the PRC Legal Advisor are summarized as follows:

(a) The tenancy agreement has been registered at Shenzhen Longgang District Property Leasing Administration Authority.

(b) The PRC Legal Advisor has not been provided with any title documents of the property nor any documents confirming property owner's consent to lease the property.

(c) There exists a risk that Shenzhen Lansen may not have the right to continue to use the property if the lessor is proved not to have the ownership of the property or not to have the consent from the property owner to lease the property.

(d) Shenzhen Lansen confirms that similar properties are readily available in the area and relocation of the property will not be disruptive to the Group's operations should circumstances arise that the tenancy agreement will have to be terminated and Shenzhen Lansen will have to relocate.

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 10 September 2009 under the Cayman Islands Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association and the Amended and Restated Articles of Association.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 9 April 2010. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled without payment to receive a certificate for his shares. The Cayman Companies Law prohibits the issue of bearer shares to any person other than an authorised or recognised custodian defined in the Cayman Companies Law. The requirement on all service providers to implement appropriate due diligence procedures on the identity of a client in order to "know your client" as a result of proceeds of crime legislation mandates that special procedures should be followed when issuing bearer shares.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to

time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a member or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;

(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 associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or

(ff) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election. There is no shareholding qualification for Directors.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

(gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution — majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than fourteen clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

(i) the chairman of the meeting; or

(ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than twenty-one days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of Directors in place of those retiring;

(dd) the appointment of auditors;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a newspaper circulating generally in Hong Kong or, where applicable, any other newspapers in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other 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.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

(ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and

(iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 10 September 2009 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) in the redemption and repurchase of shares (in accordance with the detailed provisions of section 37 of the Cayman Companies Law);

(iv) writing-off the preliminary expenses of the company;

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(vi) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner of purchase, a company cannot purchase any of its own shares without the manner of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details).

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

(i) an act which is *ultra vires* the company or illegal;

(ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

(iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) in addition, that no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from 29 September 2009.

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. The Cayman Islands are not a party to any double tax treaties.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as the directors may, from time to time, think fit. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the members so resolve in general meeting by special resolution, or, by ordinary resolutions when the company is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed off, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that the commenced voluntary winding up and prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official

liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal advisor on Cayman Islands law, have sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. 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 THE COMPANY

1. Incorporation

The Company was incorporated as an exempted company in the Cayman Islands under the Cayman Companies Law on 10 September 2009. The Company has established a principal place of business in Hong Kong at Suite 1203–4, 12/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong and was registered with the Registrar of Companies in Hong Kong as an oversea company under Part XI of the Hong Kong Companies Ordinance on 10 March 2010. Ms. Yip Pui Ling, Rebecca and Mr. Chan Sheung Chi have been appointed as the authorized representative of the Company for acceptance of service of process in Hong Kong. The address for acceptance of service of process in Hong Kong is the same as its registered place of business in Hong Kong set out above.

As the Company was incorporated in the Cayman Islands, it operates subject to the Cayman Islands laws and its constitutive documents comprising the Memorandum and Articles of Association. A summary of certain parts of its constitution and relevant aspects of the Cayman Companies Law is set out in Appendix V to this prospectus.

2. Changes in share capital

There has been no alteration in the authorized share capital of the Company since its incorporation.

3. Written resolutions of the shareholders of the Company passed on 9 April 2010

Pursuant to the written resolutions of the shareholders of the Company passed on 9 April 2010:

a) the Company approved and adopted the Articles of Association in substitution for and to the exclusion of the articles of association adopted upon incorporation;

b) conditional on the Listing Committee granting listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and on 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:

   (i) the Share Offer and the Over-allotment Option were approved and the Directors were authorized to approve the allotment and issue of the Offer Shares and any Shares which are required to be issued if the Over-allotment Option is exercised;

   (ii) a general unconditional mandate was given to the Directors to exercise all the powers to allot, issue and deal with, otherwise than by way of rights, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, Shares with an aggregate nominal amount not exceeding 20% of

the aggregate nominal amount of the share capital of the Company in issue and to be issued pursuant to the Share Offer (excluding the aggregate nominal value of the share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until whichever is the earliest of:

(aa) the conclusion of our next annual general meeting;

(bb) the expiration of the period within which we are required by our Articles or the Cayman Companies Law or any applicable law to hold the next annual general meeting; or

(cc) the passing of an ordinary resolution by Shareholders in general meeting revoking or varying such mandate;

(iii) a general unconditional mandate was given to the Directors authorizing them to exercise all powers of the Company to repurchase Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued pursuant to the Share Offer (excluding the aggregate nominal value of the share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until whichever is the earliest of:

(aa) the conclusion of our next annual general meeting;

(bb) the expiration of the period within which we are required by our Articles or the Cayman Companies Law or any applicable law to hold the next annual general meeting; or

(cc) the passing of an ordinary resolution by Shareholders in general meeting revoking or varying such mandate;

(iv) the general unconditional mandate mentioned in paragraph (iii) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (iv) above provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue and to be issued pursuant to the Share Offer (excluding the aggregate nominal value of the share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option).

4. Corporate reorganization

The companies in the Group underwent a reorganisation in preparation for the listing of the Shares on the Stock Exchange, details of which are set out in the sub-section headed "Reorganization" under the section headed "History, Reorganization and Group Structure".

5. Changes in share capital of subsidiaries

The Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. The following sets out the changes in the share capital of the subsidiaries of the Company during the two years preceding the date of this prospectus:

(a) Ningbo Liwah

On 6 January 1993, Ningbo Liwah was established in the PRC as a Sino-foreign joint enterprise with the approved total investment amount of USD1,400,000 and the registered share capital of USD1,000,000.

On 10 May 2005, the approved total investment amount of Ningbo Liwah was increased from RMB7,980,000 to RMB199,000,000 and the registered share capital was increased from RMB5,700,000 to RMB79,700,000.

On 30 June 2008, the approved total investment amount of Ningbo Liwah was increased from RMB199,000,000 to RMB 400,000,000 and the registered share capital was increased from RMB79,700,000 to RMB135,000,000.

Save as set out above, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

6. Repurchase by the Company of its own securities

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by ordinary resolutions of its shareholders in a general meeting, either by way of general mandate or by special approval of a particular transaction. The Company's sole listing will be on the Stock Exchange.

Note: Pursuant to a resolution in writing passed by the shareholders of the Company on 9 April 2010, a general mandate (the "Repurchase Mandate") was given to the Directors authorizing any repurchase by the

Company of Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal value of the share capital of the Company in issue and to be issued as mentioned in this prospectus (including but not limited to Shares which may be issued pursuant to the exercise of the Over-allotment Option). This mandate will expire at the earliest of (i) the conclusion of the next annual Shareholders' general meeting, (ii) the expiration of the period within which the next Shareholders' annual general meeting is required by the Articles of Association or applicable laws of the Cayman Islands to be held, or (iii) such mandate being revoked or varied by ordinary resolution of the Shareholders in a general meeting (the "Relevant Period").

(b) Reasons for repurchases

The Directors believe that it is in the best interests of the Company and the Shareholders to have general authority from Shareholders to enable the 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 value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

(c) Funding of repurchases

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its Memorandum, Articles of Association, the Listing Rules, the Cayman Companies Law and the applicable laws of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

(d) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum, Articles of Association, the Cayman Companies Law and the applicable laws of the Cayman Islands.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of any repurchase of the Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code.

Save as aforesaid, the Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

(e) Share capital

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after completion of the Share Offer, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option could accordingly result in up to 40,000,000 Shares being repurchased by the Company during the Relevant Period.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

(a) a share transfer agreement dated 30 June 2008 entered into between Ningbo Liwah and Magnificent Worldwide in relation to the transfer of 22.2% equity interest in Liwah Zhiti from Ningbo Liwah to Magnificent Worldwide at a consideration of RMB4,000,000;

(b) a share transfer agreement dated 26 August 2008 entered into between Horizon Network and Ningbo Liwah in relation to the transfer of the entire equity interest in Shenzhen Lansen from Horizon Network to Ningbo Liwah at a consideration of RMB29,000,000;

(c) a share transfer agreement dated 26 September 2008 entered into between Flash Universal and Ningbo Liwah in relation to the transfer of 25% equity interest in Ningbo Lansen Pharma Technology from Flash Universal to Ningbo Liwah at a consideration of RMB16,000,000;

(d) a joint venture agreement dated 27 March 2009 entered into between Flash Universal and Ningbo Liwah in relation to the establishment of Ningbo Lansen as a sino-foreign equity joint enterprise where Flash Universal shall contribute RMB5 million and Ningbo Liwah shall contribute RMB15 million so as Flash Universal shall own 25% and Ningbo Liwah shall own 75% of equity interest in Ningbo Lansen;

(e) a share transfer agreement dated 30 July 2009 entered into between Magnificent Worldwide and Liwah Plant Extract HK in relation to the transfer of the entire equity interest in Liwah Zhiti from Magnificent Worldwide to Liwah Plant Extract HK at a consideration of RMB20,700,000;

(f) a share transfer agreement dated 3 August 2009 entered into between Flash Universal and Lansen Pharmaceutical HK in relation to the transfer of 25% equity interest in Ningbo Lansen from Flash Universal to Lansen Pharmaceutical HK at a consideration of RMB5,000,000;

(g) the Selling Restrictions Agreement;

(h) a supplemental selling restrictions agreement dated 31 March 2010 entered into among the Company, CI Pharma China, Loyal Peace, Mr. Xu Jun, Mr. Liu Xiao Dong and Mr. Xie Hong Wei in relation to the amendments to the terms of the Selling Restrictions Agreement;

(i) the Deed of Non-Compete Undertakings;

(j) a deed of indemnity dated 20 April 2010 entered into between CIH and the Company pursuant to which, CIH provided certain indemnities in respect of tax in favor of the Group;

(k) a share purchase agreement dated 21 April 2010 entered into among the Company, CI Pharma China and Loyal Peace, pursuant to which the Company acquired the entire issued share capital of Lansen Pharmaceutical BVI from CI Pharma China and Loyal Peace, in consideration of and in exchange for which, the Company will allot and issue, credited as fully paid, an aggregate of 241,169,999 new Shares to CI Pharma China and 58,830,000 new Shares to Loyal Peace; and

(l) the Public Offer Underwriting Agreement.

2. Information about the Group's enterprises in the PRC

Brief particulars of the operating subsidiaries of the Company set up in the PRC are set out below:

(a) Ningbo Liwah

Date of incorporation:	6 January 1993
Place of incorporation:	PRC
Term:	50 years (from 5 July 2005 to 4 July 2055)
Nature:	Wholly foreign-owned enterprise
Registered capital:	RMB135,000,000
Beneficial shareholder:	Point Kin
Legal representative:	Mr. Tang Jun
Scope of business:	Production of tablets, hard capsules, granules, syrup, oral solution, mixture (including solution), ointment, cream, bulk pharmaceuticals (Total Glucosides of White Peony, capsaicin, huperzine A)(expiry period till 31 December 2010); general operation: pre-processing and extraction of Chinese medicine (including extracts of ginkgo and extracts of salvia miltiorrhiza); wholesale of a type of medicinal equipment and oral-care products; research and development of biological products, chemical drugs, antibiotics, Chinese medicine and production technology of oral disintegrating tablet; import and export of self-operated and licensed goods and technology, distribution business of commodities without import.

(b) Ningbo Lansen

Date of incorporation:	18 May 2009
Place of incorporation:	PRC
Term:	50 years (from 18 May 2009 to 17 May 2059)
Nature:	Sino-foreign joint enterprise
Registered capital:	RMB20,000,000
Beneficial shareholder:	Ningbo Liwah Lansen Pharmaceutical HK
Legal representative:	Mr. Tang Jun
Scope of business:	Research and development of biological products and traditional Chinese herb medicine. Wholesale and retail of cosmetics; wholesale of Chinese medicine, chemical dosage form, anti-biotic bulk pharmaceuticals and dosage form, biochemical pharmaceuticals, biological products and chemical raw materials.

(c) Liwah Zhiti

Date of incorporation:	30 September 2005
Place of incorporation:	PRC
Term:	50 years (from 30 September 2005 to 29 September 2055)
Nature:	Wholly foreign-owned enterprise
Registered capital:	RMB18,000,000
Beneficial shareholder:	Liwah Plant Extract HK
Legal representative:	Ms. Poon Lei Yung
Scope of business:	Research and development, and manufacture of plant extract and biological products (the above excludes pharmaceuticals, hazardous chemicals and industry with restrictions on foreign investment); import and export of self-managed and licensed goods and technologies (excluding the goods and technologies with restrictions on operation or prohibition on import and export by the State), distribution of merchandizes without import.

(d) Shenzhen Lansen

Date of incorporation:	27 December 2001
Place of incorporation:	PRC
Term:	50 years (from 27 December 2001 to 24 August 2051)
Nature:	Domestic enterprise
Registered capital:	RMB29,498,000
Beneficial shareholder:	Ningbo Liwah
Legal representative:	Mr. Tang Jun
Scope of business:	The wholesale, import and export of Chinese medicines, chemical medicines, food and commodity and commission agency (other than auction).

3. Intellectual property rights

As at the Latest Practicable Date, the Group had registered or has applied for registration of the following intellectual property rights.

(a) Trademarks

(i) As at the Latest Practicable Date, the Group has registered the following trademarks in the PRC:

	Trademark	Class	Registration No.	Valid Period	Registered Owner
1.	释乐	5	4445850	2008.04.14–2018.04.13	Ningbo Liwah
2.	爱罗 Ailuo	30	1951275	2002.10.07–2012.10.06	Ningbo Liwah
3.	艾罗 Ailuo	30	1947836	2002.09.28–2012.09.27	Ningbo Liwah
4.	生力津	5	3122594	2003.06.07–2013.06.06	Ningbo Liwah
5.	卡瓦 kaval	5	1664408	2001.11.14–2011.11.13	Ningbo Liwah
6.	富伯信	5	1668430	2001.11.21–2011.11.20	Ningbo Liwah
7.	释莫林	5	4970557	2009.04.14–2019.04.13	Ningbo Liwah
8.	释克	5	5236600	2009.07.14–2019.07.13	Ningbo Liwah
9.	无名斋	5	3562959	2005.04.28–2015.04.27	Shenzhen Lansen

	Trademark	Class	Registration No.	Valid Period	Registered Owner
10.		5	3654966	2005.11.21–2015.11.20	Shenzhen Lansen
11.		5	3079337	2003.05.14–2013.05.13	Shenzhen Lansen
12.	Lansen	5	3079338	2003.03.21–2013.03.20	Shenzhen Lansen
13.	朗生	5	3079339	2003.03.21–2013.03.20	Shenzhen Lansen
14.	劲朗	5	4573473	2008.08.14–2018.08.13	Shenzhen Lansen
15.	芮朗	5	4573474	2008.08.14–2018.08.13	Shenzhen Lansen
16.	Bilonce	5	4366874	2008.02.21–2018.02.20	Shenzhen Lansen
17.	雅皓	5	4431879	2008.04.21–2018.04.20	Shenzhen Lansen
18.	雅皓	10	4958172	2008.09.21–2018.09.20	Shenzhen Lansen
19.	吉效	5	4644631	2008.09.14–2018.09.13	Shenzhen Lansen
20.	CanLucK	5	4644632	2008.09.14–2018.09.13	Shenzhen Lansen

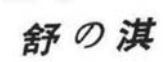
	Trademark	Class	Registration No.	Valid Period	Registered Owner
21.		5	4644633	2008.09.07–2018.09.06	Shenzhen Lansen
22.	帕夫林	5	1086979	2007.08.28–2017.08.27	Ningbo Liwah
23.	雅皓	3	1184149	2008.06.21–2018.06.20	Ningbo Liwah
24.	益坤	5	639269	2003.04.28–2013.04.27	Ningbo Liwah

(ii) As at the Latest Practicable Date, the Group had applied for registration of the following trademarks:

	Trademark	Class	Application No.	Application Date	Applicant	Place of Application
1.	必朗	5	4364961	2004.11.16 *(Note 1)*	Shenzhen Lansen	PRC
2.		3, 5, 10, 30	301414025	2009.08.26	Lansen Pharmaceutical BVI	Hong Kong
3.	Lansen	3, 5, 10, 30	301414061	2009.08.26	Lansen Pharmaceutical BVI	Hong Kong
4.	朗生	3, 5, 10, 30	301414089	2009.08.26	Lansen Pharmaceutical BVI	Hong Kong

Note (1): The CTMO received an objection from a third party company regarding this trademark application, who claimed that the subject trademark is striking similar to their registered trademark. Shenzhen Lansen has filed a reply to CTMO. As at the Latest Practicable Date, this trademark was still under review by the CTMO. However, we considered the relevant trademark is not crucial to our operation.

(iii) As at the Latest Practicable Date, the Group had been granted licences to use the following trademarks:

	Trademark	Class	Registration No.	Valid Period	Registered Owner
1.		5	206868	2004.04.15–2014.04.14	寧波中藥製藥廠 (Ningbo Chinese Medicine Factory) *(Note 1)*
2.		5	3439563	2004.12.14–2014.12.13	福建心正藥業有限公司 (Shenzhen Xinzheng Pharmaceutical Company Limited) *(Note 2)*
3.		5	4089568	2007.04.07–2017.04.06	王麒 (Wang Qi) *(Note 3)*

Notes:

1. *Pursuant to a trademark licence agreement dated 1 April 2006 entered into between 寧波中藥製藥廠 (Ningbo Chinese Medicine Factory) and Ningbo Liwah, 寧波中藥製藥廠 (Ningbo Chinese Medicine Factory) granted the Group licence to use the above trademark item 1 from 1 April 2006 to 31 March 2011 for nil consideration.*

2. *Pursuant to an authorization letter issued by 福建心正藥業有限公司 (Shenzhen Xinzheng Pharmaceutical Company Limited) dated 1 July 2009, Ningbo Liwah is authorized to use the above trademark item 2 from 1 July 2009 to 30 June 2010.*

3. *Pursuant to an authorization letter issued by 王麒 (Wang Qi) dated 1 January 2009, Ningbo Liwah is authorized to use the above trademark item 3 from 1 January 2009 to 31 December 2010.*

(b) Patents

(i) As at the Latest Practicable Date, the Group had been granted with the following patents in the PRC:

	Type	Patent Description	Patent No.	Valid Period	Registered Owner
1.	Invention	The production methodology of Total Glucosides of White Peony Capsules (白芍總苷膠囊的製備方法)	ZL200810106911.7	2008.06.13–2028.06.12	Ningbo Liwah
2.	Invention	A mouth-cleaning disintegrating tablet and its production process (一種清口的口崩片及其生產工藝)	200710077695.3	2007.03.08–2027.03.07	Ningbo Liwah
3.	Invention	Anti-moisture and preparation process for white peony extracts (白芍提取物的防潮及製劑工藝)	200710077693.4	2007.03.08–2027.03.07	Ningbo Liwah
4.	Invention	A new method for equipping total glucosides of white peony extracts (一種製備白芍總苷提取物的新方法)	200810106912.1	2008.06.13–2028.06.12	Ningbo Liwah
5.	Utility Model	Packaging board for medicine (藥品包裝板)	ZL200720174151.4	2007.09.28–2017.09.27	Ningbo Liwah
6.	Utility Model	A type of packaging board for medicine (一種藥品包裝板)	ZL200720174152.9	2007.09.28–2017.09.27	Ningbo Liwah
7.	Utility Model	Rotary tube for essential balm (旋轉式清凉油包裝管)	ZL200720122877.3	2007.03.12–2017.03.11	Ningbo Liwah
8.	Utility Model	Syringe-type storage facilities for cream (針筒式膏體貯存器)	ZL200720122876.9	2007.03.12–2017.03.11	Ningbo Liwah
9.	Utility Model	Safety cap for medicine bottle (藥瓶保險蓋)	ZL200820137574.3	2008.09.09–2018.09.08	Ningbo Liwah
10.	Utility Model	Packaging bottle for medicine (藥品包裝瓶)	ZL200820137577.7	2008.09.09–2018.09.08	Ningbo Liwah
11.	Utility Model	Packaging item for medicine (藥物包裝物)	ZL200820137576.2	2008.09.09–2018.09.08	Ningbo Liwah
12.	Utility Model	Packaging bottle for oral solution (口服藥液瓶)	ZL200820137573.9	2008.09.09–2018.09.08	Ningbo Liwah
13.	Utility Model	A medical peony for children usage (一種小孩用的藥勺)	ZL200820137575.8	2008.09.09–2018.09.08	Ningbo Liwah
14.	Design	Packaging Box (1) for Xinnaojian Jiaonang (心腦健膠囊)	ZL200830088086.3	2008.01.20–2018.01.19	Ningbo Liwah
15.	Design	Packaging Box (2) for Runing Pian (乳寧片)	ZL200830088087.8	2008.01.20–2018.01.19	Ningbo Liwah
16.	Design	Packaging Box (3) for Yinxingye Pian (銀杏葉片)	ZL200830088088.2	2008.01.20–2018.01.19	Ningbo Liwah

	Type	Patent Description	Patent No.	Valid Period	Registered Owner
17.	Design	Packaging Box (4) for Xinnaojian Jiaonang (心腦健膠囊)	ZL200830088453.X	2008.01.23–2018.01.22	Ningbo Liwah
18.	Design	Packaging Box (5) for Yinbaiganyan Chongji (茵白肝炎沖劑)	ZL200830088452.5	2008.01.23–2018.01.22	Ningbo Liwah
19.	Design	Packaging Box (6) for Chanfukang Keli (產複康顆粒)	ZL200830088451.0	2008.01.23–2018.01.22	Ningbo Liwah
20.	Design	Packaging Box (7) for Glucosides of White Peony Capsules (白芍總苷膠囊)	ZL200830088450.6	2008.01.23–2018.01.22	Ningbo Liwah
21.	Design	Packaging Box (8) for Huperzine-A Capsules (石杉碱甲膠囊)	ZL200830088449.3	2008.01.23–2018.01.22	Ningbo Liwah
22.	Design	Packaging Box (9) for Qingrejiedu Koufuye (清熱解毒口服液)	ZL200830088448.9	2008.01.23–2018.01.22	Ningbo Liwah
23.	Design	Packaging Box (10) for Xinnaojian Jiaonang (心腦健膠囊)	ZL200830088447.4	2008.01.23–2018.01.22	Ningbo Liwah
24.	Design	Packaging Box (11) for Bazhen Keli (八珍顆粒)	ZL200830088446.X	2008.01.23–2018.01.22	Ningbo Liwah
25.	Design	Packaging Box (12) for Xiao'er Jianwei Tangjing (小兒健胃糖漿)	ZL200830088445.5	2008.01.23–2018.01.22	Ningbo Liwah
26.	Design	Packaging Box (13) for Multivitamin Iron Oral Solution (多維鐵口服溶液)	ZL200830088089.7	2008.01.20–2018.01.19	Ningbo Liwah
27.	Design	Packaging Bottle (1)	ZL200830088091.4	2008.01.20–2018.01.19	Ningbo Liwah
28.	Design	Packaging Bottle (2)	ZL200830088090.X	2008.01.20–2018.01.19	Ningbo Liwah
29.	Design	Packaging Box for Pafulin (帕夫林)	ZL 02 3 02788.6	2002.02.09–2012.02.08	Shenzhen Lansen
30.	Design	Packaging Box for Yaho Cremor Olei Ocimi Gratissimi Et Boracis (雅皓丁硼乳膏)	ZL 02 3 02789.4	2002.02.09–2012.02.08	Shenzhen Lansen

Note: Except for "A mouth-cleaning disintegrating tablet and its production process" (一種清口的口崩片及其生產工藝), all invention patents granted are related to the production of Total Glucosides of White Peony.

(ii) As at the Latest Practicable Date, the Group had applied for registration of the following patents in the PRC:

	Type	Patent Description	Application No.	Application Date	Applicant
1.	Invention	Anti-moisture and preparation process for a Chinese medicine extract (一種中藥提取物的防潮及製劑工藝)	200710077692.X	2007.03.08	Ningbo Liwah
2.	Invention	Production process for a cream treating toothache and tooth inflammation (一種治療牙痛、牙炎的乳膏生產工藝)	200710077694.9	2007.03.08	Ningbo Liwah
3.	Invention	An anti-inflammatory, analgesic, antimuscarinic and immunity system adjustment drug and equipment method (一種抗炎、止痛、解痙和免疫調節藥物及製備方法)	200710077701.5	2007.03.15	Ningbo Liwah
4.	Invention	An extract process of the effective ingredients of high concentration white peony (一種高含量白芍有效成份的提取工藝)	200810106910.2	2008.06.13	Ningbo Liwah
5.	Invention	An equipment method for total glucosides of white peony granules (一種白芍總苷顆粒的製備方法)	200810106913.6	2008.06.13	Ningbo Liwah
6.	Invention	An equipment process for effective ingredients of high concentration white peony (一種高含量白芍有效成份的製備工藝)	200810106914.0	2008.06.13	Ningbo Liwah
7.	Invention	New usage of total glucosides of white peony in equipping pharmaceuticals treating chronic eczema (白芍總苷在製備治療慢性濕疹藥物中的新用途)	200810106986.5	2008.07.07	Ningbo Liwah
8.	Invention	A pholidae compound and its equipment method (一種磷脂複合物及其製備方法)	200910115357.3	2009.05.14	Ningbo Liwah
9.	Utility Model	Packaging box for medicine (藥品包裝盒)	200920142323.9	2009.04.08	Ningbo Liwah
10.	Utility Model	An anti-moisture medical bottle (一種防潮藥瓶)	200920142325.8	2009.04.08	Ningbo Liwah
11.	Utility Model	Chinese medicine fluid sterilizing equipment (中藥藥液殺菌裝置)	200920142326.2	2009.04.08	Ningbo Liwah
12.	Utility Model	Automatic fix-quantity medicine bottle (自動定量藥瓶)	200920142324.3	2009.04.08	Ningbo Liwah

	Type	Patent Description	Application No.	Application Date	Applicant
13.	Design	Packaging Box (1)	200930178567.8	2009.04.11	Ningbo Liwah
14.	Design	Packaging Box (2)	200930178566.3	2009.04.11	Ningbo Liwah
15.	Design	Packaging Box (3)	200930178568.2	2009.04.11	Ningbo Liwah
16.	Invention	Method for separating equipped albiflorin by simulated moving bed chromatography (模擬移動床色譜法分離製備芍藥內酯苷的方法)	200910100680.3	2009.07.16	Liwah Zhiti

Note: Except for "Production process for a cream treating toothache and tooth inflammation" (一種治療牙痛、牙炎的乳膏生產工藝), all invention patents applied for are related to the production of Total Glucosides of White Peony.

(iii) As at the Latest Practicable Date, the Group had been granted licences to use the following patent:

	Type	Patent Description	Period	Registered Owner
1.	Invention	Equipment method for solid fast disintegrating and fast dissolving pharmaceutical compounds for oral usage and its tablets (口腔用固體速崩、速溶藥物組合物及其片劑的製備方法)	2009.10.28–2029.10.27	Tianjin Longbai *(Note 1)*

Note 1: The Group is authorised to use the patent during the course of production of oral disintegrating tablets pursuant to six technology transfer agreements entered into by Tianjin Longbai and Ningbo Lansen Pharma Technology all dated 1 November 2005 and the confirmation letter dated 1 March 2009 issued by Tianjin Longbai to Ningbo Liwah. Please refer to the section headed "Connected Transactions — Exempted Continuing Connected Transactions — 2. Technology Transfer Agreements" for more details.

(c) Copyright

(i) As at the Latest Practicable Date, Shenzhen Lansen had been granted with the following copyright in the PRC:

	Description	Registration No.	Valid From	Registered Owner
1.	Copyright registration certificate for "Cartoon Hippo" (《卡通河馬》著作權登記證書)	00000813	2003.07.09	Shenzhen Lansen

(d) Domain names

(i) As at the Latest Practicable Date, the Group had registered the following domain names:

Domain Name	Registered Owner	Date of Registration	Date of Expiry
www.lansen.com.cn	Shenzhen Lansen	2002.01.22	2012.01.22
www.liwah.com	Ningbo Liwah	1999.06.09	2010.06.09
www.fengshi.net.cn	Shenzhen Lansen	2003.12.23	2011.12.23

Save as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material in relation to the Group's business.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

1. Particulars of service agreements

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from 9 April 2010. The executive Directors will not receive any remuneration from our Company. Each of Mr. Xu Jun and Mr. Liu Xiao Dong, being our executive Directors, has also entered into a service contract with Ningbo Liwah for a term of three years commencing from 1 January 2009. The current basic annual remunerations (excluding any discretionary bonus which may be paid) payable by the Group to the executive Directors are set out below.

Executive Director	RMB
Xu Jun	900,000
Liu Xiao Dong	520,000

Each of Stephen Burnau Hunt, Lee Jin Yi, Tang Jun, Yip Pui Ling, Rebecca and Tao Fang Fang, being our non-executive Directors, has entered into a letter of appointment with the Company for a term of three years commencing from 9 April 2010. Except for Stephen Burnau Hunt who will receive an annual remuneration of HK$300,000, the other non-executive Directors will not receive any remuneration from our Company.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from 9 April 2010. The current basic annual remuneration payable by the Group to the independent non-executive Directors are as follows:

Independent non-executive Director	HK$
Robert Peter Thian	275,000
Chan Kee Huen, Michael	225,000
Tang Chiu Ping, Raymond	225,000

Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation).

2. Directors' remuneration

Remuneration and benefits in kind of approximately USD271,000 in aggregate were paid and granted by the Group to the relevant Directors in respect of the year ended 31 December 2009.

Under the current arrangements, the Directors will be entitled to receive remuneration which, for the financial year ending 31 December 2010, is expected to be approximately USD298,000, excluding the discretionary bonuses payable to the Directors.

Save as disclosed in the section headed "Underwriting — Total commission, fee and expenses" of this prospectus, none of the Directors or any of the persons whose names are listed in the paragraph headed "Consents of experts" in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within two years preceding the date of this prospectus.

3. Personal guarantees

Save and except as disclosed in Appendix I to this prospectus, no executive Directors or related parties had provided guarantees for debts and liabilities due by any members of the Group during the Track Record Period.

4. Interests and/or short positions of Directors in the shares, underlying shares or debentures of the Company and its associated corporations

Following completion of the Share Offer (but without taking into account of Shares which may be taken up under the Share Offer and Shares falling to be allotted and issued upon the exercise of the Over-allotment Option) , the interests and/or short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning 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 in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, will be required to be notified to the Company and the Stock Exchange, will be as follows:

Long Position in our Company:

Name of Director	Nature of interest	Total number of Shares held *(note 1)*	Approximate percentage of interest in our Company
Xu Jun	Beneficiary of a trust *(note 2)*	48,830,000(L)	12.21%
Liu Xiao Dong. . . .	Beneficiary of a trust *(note 2)*	48,830,000(L)	12.21%

Notes:

(1) The letter "L" denotes the entity/person's long position in the Shares.

(2) Upon the Listing, the shares of Loyal Peace held by CI Pharma China will be transferred to Ever Sail to be held on trust for the Management Trust with beneficiaries intended to be certain management personnel and employees of the Group and/or their respective family and/or charity organization.

Ever Sail as the trustee of the Management Trust shall have the discretion to transfer assets of the Management Shares from time to time (which may comprise Management Shares and/or, dividends and other distributions deriving from such Management Shares from time to time) to the beneficiaries of the Management Trust in accordance with their percentage entitlement thereto. As at the Latest Practicable Date, the beneficiaries of the Management Trust and their respective entitlements pursuant to the arrangements under the Management Trust were as follows:

(i) 40.7% beneficially held by Mr. Xu Jun, executive Director;

(ii) 13.6% beneficially held by Mr. Liu Xiao Dong, executive Director;

(iii) 12.8% beneficially held by Mr. Xie Hong Wei, senior vice president of sales of the Group;

(iv) 7.9% beneficially held by Mr. Zhou Rong, the chief logistics officer of the Group; and

(v) 25% beneficially held by 32 other employees of the Group (of which 4.3% was beneficially held by Mr. Zhang Xin Ming, the chief OTC business officer of the Group and 0.7% was beneficially held by Mr. Liang Yi, the chief technology officer of the Group, and save as described above, none of these 32 employees is a Director or senior management of the Group), in which no single beneficiary would be interested in more than 5% of the Management Trust.

The beneficiaries of the Management Trust and their percentage entitlement thereto may change subsequently as determined by Ever Sail from time to time, after obtaining a no objection notice from the protector of the Management Trust. The settlor of the Management Trust is Grand Pacific Investment Limited (茂通投資有限公司), (being designated as the settlor by the senior management). The members of the protector were nominated and appointed by the settlor.

Mr. Xu Jun and Mr. Liu Xiao Dong, who are beneficiaries of the Management Trust, are deemed to be interested in the Shares held by Loyal Peace.

5. Interests and/or short position of substantial shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors, immediately following the completion of the Share Offer (but without taking account of Shares which may be taken up under the Share Offer and Shares falling to be allotted and issued upon the exercise of the Over-allotment Option), the following persons (not being a Director or chief executive of the Company) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest	Total number of Shares held *(note 1)*	Approximate percentage of interest in our Company
CI Pharma China *(note 2)*	Beneficial interest	209,820,000(L)	52.46%
CI Biotech & Pharma China *(note 2)*	Interest in a controlled corporation	209,820,000(L)	52.46%
CIP *(note 2)*	Interest in a controlled corporation	209,820,000(L)	52.46%
CIB *(note 2)*	Interest in a controlled corporation	209,820,000(L)	52.46%
CIH *(note 2)*	Interest in a controlled corporation	209,820,000(L)	52.46%

Name of Shareholder	Nature of interest	Total number of Shares held *(note 1)*	Approximate percentage of interest in our Company
Cathay International Enterprises Limited *(Note 3)*	Interest of a controlled corporation	209,820,000(L)	52.46%
Barclays Private Bank & Trust (Cayman) Ltd. *(Note 4)*	Trustee	209,820,000(L)	52.46%
Wu Zhen Tao *(Note 4)* .	Founder of discretionary trusts and beneficiary of a trust	209,820,000(L)	52.46%
Loyal Peace *(Note 5)* . .	Beneficial interest	48,830,000(L)	12.21%
Ever Sail *(Note 5)*	Interest of a controlled corporation	48,830,000(L)	12.21%

Notes:

(1) The letter "L" denotes the entity/person's long position in the Shares.

(2) These Shares are held by CI Pharma China, CI Pharma China is owned as to 18% by CIC and 82% by CI Biotech & Pharma China. CIC is in turn owned as to 100% by CI Biotech & Pharma China. CI Biotech & Pharma China is in turn wholly owned by CIP, CIP is wholly owned by CIB, which in turn is wholly owned by CIH. Therefore, CIC, CI Biotech & Pharma China, CIP, CIB, and CIH are deemed to be interested in these Shares.

(3) CIH is held as to approximately 60.99% by Cathay International Enterprises Limited. Therefore, Cathay International Enterprises Limited is deemed to be interested in the Shares held by CI Pharma China.

*(4) The entire issued share capital of Cathay International Enterprises Limited is held by Barclays Private Bank & Trust (Cayman) Ltd. acting as the trustee of the trust set up by Mr. Wu Zhen Tao for the benefit of Mr. Wu Zhen Tao and members of his family ("**Wu Family Trust**"). Mr. Wu Zhen Tao as founder of the Wu Family Trust is deemed to be interested in the Shares held by Cathay International Enterprises Limited.*

(5) Conditional upon the Listing, the shares of Loyal Peace held by CI Pharma China will be transferred to Ever Sail to be held on trust for the beneficiaries of the Management Trust. Therefore, Ever Sail is deemed to be interested in the Shares held by Loyal Peace.

6. Agency fees or commission

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 the Company or any of its subsidiaries.

7. Disclaimers

Save as disclosed in this prospectus,

(a) none of the Directors or chief executive of the Company has any interest and/or short position in the shares, underlying shares, listed or unlisted derivatives of or debentures of the Company or any of its associated corporations (within the meaning 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 in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, will be required to be notified to the Company and the Stock Exchange once the Shares are listed;

(b) 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;

(c) none of the Directors or the experts named in the paragraph headed "Consents of experts" in this Appendix 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;

(d) none of the Directors is materially interested in any contract or arrangement subsisting as 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 Share Offer and Shares falling to be allotted and issued upon the exercise of the Over-allotment Option, the Directors are not aware of any person who immediately following the completion of the Share Offer will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the 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 any other member of the Group;

(f) none of the experts named in the paragraph headed "Consents of experts" in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or is an officer or servant or in employment of an officer or servant of the Group; and

(g) so far as it is known to the Directors, none of the Directors, their respective associates or Shareholders who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Group.

D. OTHER INFORMATION

1. Indemnities

CIH (the "**Indemnifier**") has entered into a deed of indemnity in favor of our Group (being a material contract referred to in the paragraph headed "Summary of material contracts" of this Appendix) to provide the following indemnities in favor of the Company (for itself and as trustee for its subsidiaries). Our Directors have been advised that no material liability for estate duty is likely to fall on us or any of our subsidiaries.

Under the deed of indemnity, amongst others, the Indemnifier irrevocably agrees, covenants and undertakes with each of the member of the Group that it will indemnify each of the members of our Group against taxation falling on any member of our Group resulting from or by reference to any income, profits or gains, transactions, events, acts, omissions, matters or things earned, accrued or received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the date when the Share Offer becomes unconditional (the "**Effective Date**").

The Indemnifier will, however, not be liable under the deed of indemnity for taxation where, among others, (a) provision has been made for such taxation in the audited accounts of our Group for each of the three financial years ended 31 December 2009 as set out in the Accountants' Report in Appendix I to this prospectus; and (b) the taxation arises or is incurred as a result of a retrospective change in law or the interpretation or practice by the relevant tax authority coming into force after the Effective Date or to the extent that the taxation arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect.

The Directors have been advised that no material liability for estate duty is likely to fall on any member of the Group in the Cayman Islands.

2. Litigation

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to the Directors to be pending or threatened against any member of the Group.

3. The Sponsor

The Sole Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned herein, including any Shares that may be issued under the Over-allotment Option.

4. Preliminary expenses

The estimated preliminary expenses of the Company are approximately USD12,600 and are payable by the Company.

5. Promoters

Our Company has no promoter for the purpose of the Listing Rules.

6. Consents of experts

Piper Jaffray Asia, Grant Thornton, Greater China Appraisal Limited, Jincheng Tongda & Neal and Appleby have given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, valuation certificate, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
Piper Jaffray Asia Limited	Licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
Grant Thornton	Certified Public Accountants
Greater China Appraisal Limited	Property valuer
Jincheng Tongda & Neal	Legal advisors on PRC laws
Appleby	Cayman Islands attorneys-at-law

7. 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 Hong Kong Companies Ordinance so far as applicable.

8. Compliance Advisor

Our Company will appoint Piper Jaffray Asia as our compliance advisor in compliance with Rule 3A.19 of the Listing Rules with effect from Listing Date.

9. Share register

The register of members of the Company will be maintained in Hong Kong by Tricor Investor Services Limited.

10. Shares will be eligible for CCASS

The Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, our Shares (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

11. 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 Hong Kong Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Particulars of the Selling Shareholders

The particulars of the Selling Shareholders are set out as follows:

Name	:	CI Pharma China
Place of incorporation	:	British Virgin Islands
Date of incorporation	:	25 February 2005
Description	:	Corporation
Registered office	:	Portcullis TrustNet (BVI) Limited, Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold	:	31,350,000 Shares

Name	:	Loyal Peace
Place of incorporation	:	British Virgin Islands
Date of incorporation	:	28 April 2006
Description	:	Corporation
Registered office	:	Portcullis TrustNet (BVI) Limited, Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold	:	10,000,000 Shares

13. 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 the 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;

(ii) 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 the Company or any of its subsidiaries;

(iii) within the two years preceding the date of this prospectus, 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;

(iv) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve months immediately preceding the date of this prospectus;

(v) there has been no material adverse change in the financial position or prospects of the Group since 31 December 2009 (being the date to which the latest combined financial information of the Group were made up); and

(vi) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of the Company or any of its subsidiaries.

(b) Save as the Management Shares disclosed in the section headed "History, Reorganization and Group Structure — Group Structure" of this prospectus, the Company has no founder shares, management shares, deferred shares or debentures.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** application forms, the statement of adjustments prepared by Grant Thornton in arriving at the figures set out in the Accountants' Report set out in Appendix I to this prospectus, the list containing the particulars of the Selling Shareholders as set out in the paragraph headed "Other information — Particulars of the Selling Shareholders" in Appendix VI to this prospectus, the written consents referred to in the paragraph headed "Other information — Consents of experts" in Appendix VI to this prospectus, and copies of the material contracts referred to in the paragraph headed "Further information about the business — Summary of material contracts" in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Andrew Lui & Co. in association with Salans LLP at Suite 708–709, 7/F., Citibank Tower, 3 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association;

(b) the Accountants' Report of the Group prepared by Grant Thornton, the text of which is set out in Appendix I to this prospectus;

(c) the statement of adjustments in arriving at the figures in the Accountants' Report set out in Appendix I to this prospectus;

(d) the report on the unaudited pro forma financial information prepared by Grant Thornton, the text of which is set out in Appendix II to this prospectus;

(e) the letters relating to the profit forecast of the Company for the six months ending 30 June 2010, the text of which are set out in Appendix III to this prospectus;

(f) the letter, summary of valuations and valuation certificate prepared by Greater China Appraisal Limited, the text of which is set out in Appendix IV to this prospectus;

(g) the PRC legal opinion issued by Jincheng Tongda & Neal, our legal advisor on PRC law, in respect of, among other things, general matters, property interests and taxation matters of the Group;

(h) the letter of advice prepared by Appleby summarizing certain aspects of the Cayman Islands company law as referred to in Appendix V to this prospectus;

(i) the Cayman Companies Law;

(j) the material contracts referred to in the paragraph headed "Further information about the business — Summary of material contracts" in Appendix VI to this prospectus;

(k) the written consents referred to in the paragraph headed "Consents of experts" in Appendix VI to this prospectus; and

(l) the service agreements/letters of appointment referred to in the paragraph headed "Particulars of service agreements" in Appendix VI to this prospectus.

朗生醫藥控股有限公司
Lansen Pharmaceutical Holdings Limited