四環醫藥控股集團有限公司

Sihuan Pharmaceutical Holdings Group Ltd.

(incorporated in Bermuda with limited liability)

Stock Code: 0460

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators and Joint Bookrunners

Morgan Stanley UBS

Joint Lead Managers

Morgan Stanley UBS Daiwa Capital Markets

IMPORTANT

IMPORTANT: *If you are in any doubt about any content of this prospectus, you should consult your independent professional advisors.*

Sihuan Pharmaceutical Holdings Group Ltd.

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GLOBAL OFFERING

Number of Offer Shares	:	1,250,000,000 Shares (subject to adjustment and the Over-Allotment Option)
Number of Hong Kong Offer Shares	:	125,000,000 Shares (subject to adjustment)
Number of International Offer Shares	:	1,125,000,000 Shares (subject to adjustment and Over-Allotment Option)
Maximum Offer Price	:	HK$4.60 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005% (payable in full on application subject to refund on final pricing)
Nominal value	:	HK$0.01 per Share
Stock code	:	0460

Joint Sponsors, Joint Global Coordinators and Joint Bookrunners

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss 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 Appendix IX "Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. A copy of this prospectus, having attached thereto copies of the Application Forms, has been filed with the Registrar of Companies in Bermuda in accordance with the Bermuda Companies Act. The Securities and Futures Commission, the Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of this prospectus or any other document referred to above.

We expect to determine the Offer Price by agreement with the Joint Global Coordinators on behalf of the Underwriters on the Price Determination Date. The Price Determination Date is expected to be on or around 20 October 2010 and, in any event, not later than 26 October 2010. The Offer Price will be not more than HK$4.60, and is currently expected to be not less than HK$3.88, unless otherwise announced. Applicants for Hong Kong Offer Shares must pay, on application, the maximum offer price of HK$4.60 for each Hong Kong Offer Share, together with a 1% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee, subject to refund if the Offer Price should be lower than HK$4.60 as finally determined.

The Joint Global Coordinators on behalf of the Underwriters may, with our consent, reduce the number of Offer Shares in the Global Offering and/or the indicative offer price range below that described in this prospectus (which is HK$3.88 to HK$4.60 per Offer Share) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for the lodging of applications under the Hong Kong Public Offering, then even if the number of Offer Shares and/or the indicative offer price range is so reduced, such applications cannot subsequently be withdrawn. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If, for whatever reason, the Joint Global Coordinators on behalf of the Underwriters and we are not able to agree on the Offer Price, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Global Offering may be terminated by the Joint Global Coordinators on behalf of the Underwriters at any time prior to 8:00 a.m. on the Listing Date following the occurrence of certain events described in the section headed "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or under the securities laws or with any securities regulatory authority of any state or other jurisdiction of the United States. The Offer Shares may not be offered, sold, re-sold, pledged or otherwise transferred, directly or indirectly, within the United States except to Qualified Institutional Buyers in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act, or outside the United States in offshore transactions in reliance on Regulation S.

15 October 2010

EXPECTED TIMETABLE[1]

Application lists open[2]	11:45 a.m. on Wednesday, 20 October 2010
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, 20 October 2010
Latest time to give **electronic application instructions** to HKSCC[3]	12:00 noon on Wednesday, 20 October 2010
Latest time to complete electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk**[4]	11:30 a.m. on Wednesday, 20 October 2010
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 20 October 2010
Application lists close	12:00 noon on Wednesday, 20 October 2010
Expected Price Determination Date[5]	20 October 2010
Announcement of the Offer Price, indication of the level of interest in the International Offering and the level of application and basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on	Wednesday, 27 October 2010
Results of allocations in the Hong Kong Public Offering to be available through a variety of channels (as disclosed in the section headed "How to Apply for Hong Kong Offer Shares — Results of Allocations") from	Wednesday, 27 October 2010
Result of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk**, the website of the Company at **www.sihuanpharm.com** and the Stock Exchange at **www.hkex.com.hk** with a "search by ID function"	Wednesday, 27 October 2010
Dispatch of share certificates on or before[6]	Wednesday, 27 October 2010
Dispatch of refund checks on or before[6]	Wednesday, 27 October 2010
Dispatch of White Form e-Refund payment instructions[6]	Wednesday, 27 October 2010
Dealings in Shares on the Stock Exchange expected to commence on	Thursday, 28 October 2010

(1) All times refer to Hong Kong local time. The section headed "Structure of the Global Offering" in this prospectus contains details, including conditions, of the Global Offering. If there is any change in the expected timetable of the Hong Kong Public Offering, an announcement in Hong Kong will be published in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese).

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 20 October 2010, the application lists will not open on that day. You may find further information in the section entitled "How to Apply for Hong Kong Offer Shares — Effect of bad weather on the opening of the application lists" in this prospectus.

(3) If you are applying by way of giving **electronic application instructions** to HKSCC, you should read the section headed "How to Apply for Hong Kong Offer Shares — Applying by giving electronic application instructions to HKSCC general" in this prospectus.

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

(5) The expected Price Determination Date, in any event, will not be later than 20 October 2010. If, for any reason, the Offer Price is not agreed by 26 October 2010, the Global Offering, including the Hong Kong Public Offering, will not proceed.

(6) We will issue refund to you if your application is wholly or partially unsuccessful or if the Offer Price is less than the price per Offer Share payable on application. We will dispatch share certificates (if applicable) and refund checks (if applicable) by ordinary post to you at your own risk to the address you specified in your Application Form unless you have elected for personal collection. If you have applied for 1,000,000 Hong Kong Offer Shares or more and you have indicated in your Application Form that you wish to collect refund checks and/or share certificates personally, you may collect refund checks (if applicable) and/or share certificates (if applicable) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 27 October 2010 or on any other date we announce in the newspapers as the date of dispatch of share certificates/e-Refund payment instructions/refund checks. If you are an individual applicant and you have elected for personal collection, you may not authorise any other person to collect on your behalf. If you are a corporate applicant and you have elected for personal collection, you must attend by your authorised representative with your letter of authorisation stamped with your corporate chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. If you fail to collect within the time specified for collection, we will dispatch uncollected share certificates and refund checks by ordinary post at your own risk to the address specified in the relevant Application Forms. We will dispatch e-Refund payment instructions to your application payment bank account, if you apply through White Form eIPO service by paying the application monies through a single bank account. We will dispatch refund checks by ordinary post to you at your own risk to the address you specified in your application if you apply through the White Form eIPO service by paying the application monies through multiple bank accounts. You may find additional information in the section entitled "How to Apply for Hong Kong Offer Shares" in this prospectus.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, our Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their directors, or any other person or party involved in the Global Offering.

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

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in our Shares. There are risks associated with any investment. Some of the particular risks and uncertainties in investing in our Shares are set forth in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in our Shares.

OVERVIEW

We are a leading pharmaceutical company with the largest cardio-cerebral vascular drug franchise in the PRC in terms of market share, accounting for approximately 7.2%, 7.3% and 7.4% of the market in 2007, 2008 and 2009, respectively. We have a differentiated and proven sales and marketing model, supported by an extensive nationwide distribution network covering close to 10,000 hospitals through over 2,000 distributors in all 31 provinces, autonomous regions and cities throughout the PRC. We have strong research and development capabilities, which focus on the development of innovative and first-to-market generic drugs. We also have a proven track record of identifying, acquiring and developing market-leading drugs.

We offer a portfolio of 14 cardio-cerebral vascular drugs, which are used for the treatment of a range of cardio-cerebral vascular diseases. Our best selling cardio-cerebral vascular drugs, Kelinao, Anjieli and Chuanqing, collectively accounted for approximately 17.1% of the cerebral and peripheral vascular therapies market, the largest sub-segment of the cardio-cerebral vascular drug market, in the PRC in 2009. In particular, Kelinao and Anjieli have collectively ranked first among all drugs sold in hospitals in the PRC every year since 2007. Kelinao and Anjieli are currently the only SFDA-approved drugs containing the active ingredient of cinepazide maleate in the PRC. We received 20-year patent protection for each of the synthesis process, the improved production method and the invention and production method of the crystal of cinepazide maleate in the PRC in 2004, 2006 and 2008, respectively. In addition, Chuanqing, another flagship cardio-cerebral vascular product, is the best selling ligustrazine for injection drug in the PRC in terms of market share in 2009. We also offer several CNS drugs for cardio-cerebral vascular disease, including Qu'Ao, Aogan and Qingtong. In particular, Qu'Ao ranked second in the cerebroprotein hydrolysate market in the PRC in 2009. We launched Aogan and Qingtong in 2008 and 2009, respectively, and they have quickly gained market share in their respective markets. We also market and sell a diversified portfolio of 30 anti-infective and other drugs which, combined with our cardio-cerebral vascular drugs, cover the top five medical therapeutic areas in the PRC in 2009. All the drugs that are currently marketed and sold by us are prescription drugs. The majority of our products either enjoy leading market positions, or we believe are poised to grow rapidly in their respective markets.

We generate a significant portion of revenue from our sales of cardio-cerebral vascular pharmaceutical products, which accounted for 82.3%, 78.7%, 79.1% and 83.0% of our total revenue in 2007, 2008, 2009 and the six months ended 30 June 2010, respectively. In particular, during 2007, 2008, 2009 and the six months ended 30 June 2010, revenue derived from sales of Kelinao and Anjieli represented 66.5%, 60.1%, 57.3% and 57.7%, respectively, of our total revenue. Both Kelinao and Anjieli were developed by our in-house research and development teams. In the future, we expect the sales of Kelinao and Anjieli to account for a lower, yet significant, percentage of our total revenue as

we further diversify our product portfolio by increasing the sales of our other cardio-cerebral vascular products and anti-infective drugs and other products, and as we introduce new products such as nalmefene hydrochloride and fasudil hydrochloride injection, which we expect to launch in 2011 and 2012, respectively.

The following table sets forth the contribution to revenue of our products for the periods indicated:

Revenue (by product)	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB '000	%	RMB '000	%	RMB '000	%	RMB '000	%	RMB '000	%
							(unaudited)			
Cardio-cerebral vascular drugs										
Kelinao	177,505	62.0	258,822	50.8	330,864	46.7	148,203	46.0	215,899	45.6
Anjieli	13,010	4.5	47,523	9.3	75,252	10.6	35,606	11.0	57,018	12.1
Chuanqing	29,140	10.2	49,580	9.7	63,080	8.9	29,554	9.2	41,809	8.8
Qu'Ao[(1)]	4,581	1.6	23,126	4.5	37,176	5.2	19,369	6.0	24,303	5.1
Aogan	—	—	1,775	0.4	22,837	3.2	7,877	2.4	31,277	6.6
Qingtong	—	—	—	—	12,383	1.8	4,342	1.4	12,746	2.7
Others	11,349	4.0	20,539	4.0	19,029	2.7	9,849	3.0	9,956	2.1
Subtotal	235,585	82.3	401,365	78.7	560,621	79.1	254,800	79.0	393,008	83.0
Anti-infective drugs										
Anjiejian	—	—	4,233	0.8	16,130	2.3	7,226	2.2	11,521	2.4
Kanglixin	1,821	0.6	9,060	1.8	9,321	1.3	4,695	1.5	3,695	0.8
Aolang	2,474	0.9	8,329	1.6	7,770	1.1	3,999	1.2	3,345	0.7
Xiboao	693	0.2	2,317	0.5	1,518	0.2	853	0.3	317	0.1
Others	12,335	4.3	22,290	4.4	20,778	2.9	10,295	3.2	11,781	2.5
Subtotal	17,323	6.0	46,229	9.1	55,517	7.8	27,068	8.4	30,659	6.5
Others										
Naloxone hydrochloride line[(2)]	14,727	5.2	17,270	3.4	16,143	2.3	8,211	2.6	10,436	2.2
Bi'Ao	2,935	1.0	16,349	3.2	33,642	4.8	15,506	4.8	17,607	3.7
Zhuo'Ao	245	0.1	747	0.1	2,870	0.4	1,281	0.4	1,916	0.4
Others	15,534	5.4	26,808	5.3	32,164	4.5	14,827	4.6	19,161	4.1
Subtotal	33,441	11.7	61,174	12.0	84,819	12.0	39,825	12.4	49,120	10.4
Licencing revenue [(3)]	—	—	1,280	0.2	7,950	1.1	700	0.2	650	0.1
Revenue	**286,349**	**100%**	**510,048**	**100%**	**708,907**	**100%**	**322,394**	**100%**	**473,437**	**100%**

Notes:

(1) Qu'Ao is cerebroprotein hydrolysate lyophilised powder for injection.

(2) Our naloxone hydrochloride line includes two products, naloxone hydrochloride lyophilised powder and naloxone hydrochloride injection. Naloxone hydrochloride lyophilised powder is marketed under the brand Xinpuao. Naloxone hydrochloride injection is in liquid injection form and marketed under the brands Feidiao, Pudiao and Quxinao.

(3) Licencing revenue consists of revenue derived from licencing the marketing and manufacturing rights of products developed by KBP BioSciences and Hainan Sihuan CVD Research to third-party pharmaceutical companies.

The pharmaceutical products marketed and sold by us are either products that are developed by us independently or jointly with third parties, or acquired by us, or third-party products owned and manufactured by third-party pharmaceutical companies and distributed by us under distribution agreements. During the Track Record Period, our product development was focused on first-to-market generic drugs, which we developed independently or jointly with other third-party research institutions at different stages of product development before obtaining the manufacturing permits. We also acquire products for which the manufacturing permits already been obtained by third parties. We also seek to conduct research and development to improve the quality, efficacy and safety of the products we acquired. During the Track Record Period, we successfully developed 13 products, acquired and further developed 19 products and obtained nationwide distributorship rights over 12 products. The majority of our sales were contributed by the products developed by us. The following table sets forth the contribution to revenue of our products by product source for the periods indicated:

Revenue (by product source)	**For the year ended 31 December**						**For the six months ended 30 June**			
	2007		**2008**		**2009**		**2009**		**2010**	
	RMB '000	**%**	**RMB '000**	**%**	**RMB '000**	**%**	**RMB '000**	**%**	**RMB '000**	**%**
							(unaudited)			
Developed by us [(1)]	255,436	89.2	423,123	83.0	549,875	77.6	253,017	78.5	359,110	75.9
Acquired by us	28,996	10.1	76,375	14.9	115,743	16.3	52,465	16.3	75,004	15.8
Distributorship	1,917	0.7	10,550	2.1	43,289	6.1	16,912	5.2	39,323	8.3
Total	286,349	100.0%	510,048	100.0%	708,907	100.0%	322,394	100.0%	473,437	100.0%

Note:

(1) Including products developed solely by us or jointly with third parties. We own the relevant intellectual property rights to these products, including licencing revenue.

In the future, we intend to continue combining our research and development strength to originate and develop new products and the strength of identifying, acquiring and improving target products to add more products that we believe have attractive commercial potential and are complementary to our existing product portfolio.

Our sales model has proven to be highly successful and cost-efficient and has enabled us to rapidly achieve deep market penetration in an effective manner. We believe that our marketing strategy and extensive sales and distribution network are difficult to replicate and represent a significant competitive advantage. We have an extensive nationwide sales and distribution network of over 2,000 distributors covering all 31 provinces, autonomous regions and cities throughout the PRC. As of the Latest Practicable Date, our distribution network has penetrated into close to 10,000 hospitals, including 890 or approximately 70% of all Class III hospitals, 3,600 or approximately 55% of all Class II hospitals and 5,400 Class I and other hospitals and medical institutions in the PRC. Sales to distributors account for substantially all of our revenue.

Our distribution network is managed and supported by an in-house team of 278 dedicated sales and product managers, the majority of whom hold professional qualifications in medicine and

pharmacy. Our product managers are responsible for determining product positioning, formulating marketing strategies, maintaining a network of key opinion leaders and organising seminars and conferences to promote awareness and knowledge of our products. Our sales managers are responsible for the management and expansion of our distribution network.

We enter into distribution agreements with a majority of our distributors on a yearly basis. The distribution agreements set monthly and yearly sales volume targets, target hospitals, wholesale prices and other requirements by us for the distributors. We also enter into sales and purchase agreements with some of our distributors, which only set forth the sales price, quantity and logistic details for the delivery of our products and do not have sales targets.

Typically, our distributors are supported by sales representatives that consist of third-party individuals, who are independent from our distributors and us, and individuals employed by the distributors. Because of the crucial role they play in the distribution of our products, we seek to have a contractual arrangement with the majority of such third-party sales representatives to monitor their performance. They are responsible for the day-to-day detailing activities to hospitals and physicians in accordance with our marketing plan, as well as facilitating the flow of our products, information and payments, while our distributors are responsible for the actual sales and delivery of our products. We believe that our distributors and third-party sales representatives have a deep understanding of their local markets and have established sales channels with local hospitals and physicians, and therefore can effectively promote our products.

We have two leading research and development teams composed of 333 personnel who focus on developing innovative drugs and first-to-market generic drugs, respectively. Our key research scientists on average have over 10 years of drug development experience from their tenures at multinational pharmaceutical companies and have expertise in areas encompassing both drug discovery and development, such as medicinal chemistry, biological assays, pharmacology, toxicology, chemical synthesis and scale-up and clinical trials. We employ a market-driven approach to selecting research and development targets that have the potential for gaining widespread market acceptance or becoming best-in-class among similar products on the market. We also collaborate with leading research institutions, universities and hospitals in the PRC to broaden our access to proprietary drugs while minimising upfront costs and risks associated with early-stage product development.

Since our establishment, we have been able to successfully develop and bring to market 13 pharmaceutical products, all of which were well accepted and achieved leading positions in their markets. Currently, we have over 30 product candidates in various stages of development for the treatment of cardio-cerebral vascular diseases, central nervous system diseases, infections, cancer and other diseases. Ten of these product candidates are innovative drugs. Among these product candidates, four products have finished, or are currently in, the clinical trial stage and are expected to be launched within the next four years. Our commitment to research and development is demonstrated through our substantial research and development spending, which amounted to, on average, approximately 10% of our total revenue from 2007 to 2009.

We operate six integrated production lines, two for producing small volume liquid for injection, one for producing lyophilised powder for injection and three for producing oral solid medicines including tablets, capsules and granules. All of our production facilities are GMP certified by the

SFDA and adhere to stringent and closely monitored quality assurance and quality control processes. We outsource the manufacture of certain products to third-party manufacturers, who are also required to comply with our quality standards and GMP standards. We intend to expand our production capacities and capabilities to meet the increasing demand for our products and increase in-house production of additional key APIs required to manufacture our products. We believe this will allow us to better control the quality and cost of our products.

Substantially all of our products are included in the National and Provincial Medicine Catalogue and National List of Essential Drugs. Such products are subject to price controls by the government in the form of fixed retail prices or maximum retail prices. Even though we do not sell our drugs at retail prices, these controls may indirectly affect the wholesale prices of our products. There have not been material changes to the maximum retail prices of our major products during the Track Record Period. On 1 July 2010, the NDRC issued a notice (Fagaidian [2010] No. 253) with regard to a survey of certain pharmaceutical products' wholesale prices and the operations of the relevant pharmaceutical manufacturers. Four of our products, contributing 57.9% of our total revenue in 2009, were included in the scope of this survey, namely cinepazide maleate injection, oxcarbazepine tablets, nylestriol and octreotide acetate injection. We have submitted relevant information to the authorities. We do not expect any material impact on our business or results of operations from this survey.

On 23 March 2007, we listed our Shares on the main board of the SGX-ST. In late 2009, our Controlling Shareholders together with MSPEA III Cayman privatised our Company through China Pharma. The privatisation was done in preparation for our de-listing from SGX-ST, which subsequently took place on 2 December 2009. Since then, we have continued to operate our business as a private company. The decisions to privatise and de-list our Company SGX-ST were made due to the limited liquidity of our stock and lack of comparable peer companies as well as institutional investors (especially those focused on the healthcare stocks) in the Singapore market. Our initial intention behind the listing our Company on the SGX-ST, which had been to increase the liquidity of our Group, was not fufilled as a result of the foregoing factors.

Our Company commenced the Reorganisation in the second quarter of 2010 in preparation for listing on the Stock Exchange. Our Directors consider Hong Kong's capital market to be a suitable platform for our Shares to be listed as they believe investors in Hong Kong have an understanding of the Chinese healthcare market and therefore our Company's business, due to the fact that there are a number of pharmaceutical companies already listed on the Stock Exchange. We believe that the foregoing factors that will contribute to opportunities for better liquidity and access to internationally renowned institutional investors for our Group.

OUR COMPETITIVE STRENGTHS

We believe that we have the following principal strengths:

- Leading cardio-cerebral vascular drug franchise in the PRC.

- Extensive nationwide sales and distribution network supported by strong sales and marketing capabilities.

- A diversified portfolio of products targeting large and fast-growing therapeutic areas.
- Proven track record of identifying, acquiring and developing market-leading products.
- Strong research and development capabilities.
- An experienced and committed management team.

For details of our strengths, see the section headed "Business — Our Strengths" in this prospectus.

OUR BUSINESS STRATEGIES

Our goal is to consolidate our position as the leading cardio-cerebral vascular drug franchise in the PRC and to continue to grow our sales in other targeted high growth therapeutic areas. To achieve this goal, we will pursue the following strategies:

- Continue to strengthen our cardio-cerebral vascular drug franchise and further diversify our product portfolio by increasing sales of drugs targeting other high growth therapeutic areas.
- Extend our sales and distribution network and strengthen our marketing efforts.
- Continue to develop proprietary products and further strengthen our research and development capability.
- Expand through acquisition, collaboration and joint ventures.
- Expand and enhance our production capacity and capability.

For details of our strategies, see the section headed "Business — Our Strategies" in this prospectus.

OUR INVESTORS

In September 2009 when our Company was still listed on SGX-ST, MSPEA III Cayman, through MSPEA Pharma BV, formed a consortium (the "**Consortium**") with the Undertaking Shareholders to make a voluntary conditional cash offer (through China Pharma as the offeror entity) to acquire all the Shares in our Company at a price of S$0.975 per share (the "**Offer**") with the intention of privatising our Company (the "**Privatisation**"). Upon completion of the Privatisation in December 2009, our Company became wholly-owned by China Pharma.

In relation to the Offer, an irrevocable undertaking was given by the Undertaking Shareholders in August 2009 to China Pharma to accept the Offer in respect of their then aggregate approximate 76.6% interest in the Company (the "**Privatisation Undertaking**"). The Undertaking Shareholders, MSPEA Pharma BV and China Pharma also entered into other arrangements, including:

(a) subscription by MSPEA Pharma BV for convertible bonds (the "**Convertible Bonds**") issued by China Pharma for a consideration of US$48,672,331.39 payable in cash to fund the offer price to be paid by China Pharma for the Shares tendered pursuant to the Offer; and

(b) subscription by the Undertaking Shareholders for a certain number of new shares in China Pharma, to fund the offer price to be paid by China Pharma for the Shares tendered pursuant to the Offer. Subject to the Privatisation Undertaking, China Pharma's obligation to pay the offer price to each Undertaking Shareholder for his/its Shares tendered in acceptance of the Offer pursuant to the Privatisation Undertaking ("**Shares in Acceptance**") was set off against that Undertaking Shareholder's obligation to pay for such number of new shares in China Pharma that was equal to the number of Shares in Acceptance.

The consideration amount of US$48,672,331.39 for the Convertible Bonds was settled by MSPEA Pharma BV on 28 October 2009 and constitutes the total investment amount in our Company by MSPEA Pharma BV.

On 5 August 2010, MSPEA Pharma BV converted all Convertible Bonds held by it in the principal amount of US$48,672,331.39 into 47,000,000 Shares of our Company, representing 10% of the issued share capital of our Company. A share pledge over certain Shares was created by Plenty Gold in favor of MSPEA Pharma BV to secure certain obligations. Such share pledge will be terminated upon Listing.

On 7 July 2010, Dr. Che, Dr. Guo, Mr. Meng, Dr. Zhang, Mr. Huang (collectively, the "**Individual Shareholders**"), Plenty Gold and Top Matrix entered into a share purchase agreement (the "**Share Purchase Agreement**"), whereby Top Matrix agreed to purchase, and Plenty Gold agreed to sell, 42,300,000 Shares (representing 9% of the issued share capital of the Company before the Capitalisation Issue) for a consideration of RMB12.766 per share or at a total purchase price of the U.S. dollar equivalent of RMB540 million (the "**NHC Acquisition**"). On 6 August 2010, the NHC Acquisition was completed upon payment of the purchase price. However, in light of certain regulatory concerns, NHC and the Company subsequently agreed to unwind the NHC Acquisition. For details of the NHC Acquisition and the unwinding of the transaction, see the section headed "History, Reorganisation and Corporate Structure" in this prospectus.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

Summary consolidated balance sheets data

The following table sets forth selected items from our consolidated balance sheet for the periods indicated:

	As of 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	320,499	420,054	376,484	383,160
Current assets	310,047	441,997	796,958	980,195
Total assets	630,546	862,051	1,173,442	1,363,355
Non-current liabilities	10,214	18,997	29,995	10,761
Current liabilities	95,519	127,194	219,260	179,924
Total liabilities	105,733	146,191	249,255	190,685
Total equity and liabilities	630,546	862,051	1,173,442	1,363,355
Net current assets	214,528	314,803	577,698	800,271
Total assets less current liabilities	**535,027**	**734,857**	**954,182**	**1,183,431**

Summary consolidated statements of comprehensive income data

The following table sets forth selected items from our consolidated statement of comprehensive income for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	286,349	510,048	708,907	322,394	473,437
Cost of sales	(60,526)	(133,551)	(191,915)	(90,696)	(127,074)
Gross profit	225,823	376,497	516,992	231,698	346,363
Other gains/(losses)-net	22,744	(8,014)	(16,348)	(29,151)	19,444
Expenses					
— Distribution costs	(22,732)	(38,906)	(48,810)	(22,634)	(26,364)
— Administrative expenses	(38,856)	(53,405)	(78,809)	(35,276)	(52,420)
— Finance (costs)/income-net	(2,527)	470	5,644	177	3,072
Share of profit of an associated company	—	10,427	2,357	2,357	—
Profit before income tax	184,452	287,069	381,026	147,171	290,095
Income tax expense	(5,626)	(53,621)	(67,370)	(36,335)	(42,683)
Profit and total comprehensive income for the year/period	**178,826**	**233,448**	**313,656**	**110,836**	**247,412**
Attributable to:					
Equity holders of the Company	179,266	237,059	326,316	119,594	254,849
Non-controlling interests	(440)	(3,611)	(12,660)	(8,758)	(7,437)
	178,826	233,448	313,656	110,836	247,412
Earnings per share attributable to equity holders of the Company					
— Basic and diluted earnings per share (RMB cents)	39.93	50.44	69.43	25.45	54.22

Summary consolidated cashflow statements data

The following table sets forth certain information regarding our consolidated cash flows for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities.	182,565	256,819	385,648	171,334	183,984
Net cash (used in)/generated from investing activities	(155,731)	(115,365)	16,062	61,098	(2,526)
Net cash generated from/(used in) financing activities	193,758	(72,656)	(120,029)	(71,558)	(173,939)
Cash and cash equivalents at beginning of year	41,788	262,380	331,178	331,178	612,859
Cash and cash equivalents at end of year	262,380	331,178	612,859	492,052	620,378

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2010

The profit forecast in the following table is prepared by our Directors based on the basis and assumptions as set out in Appendix III of this prospectus:

Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010	not less than RMB500 million
Forecast earnings per Share for the year ending 31 December 2010 on a fully diluted basis	not less than RMB0.10

OFFER STATISTICS

We have prepared the following offer statistics on the basis of the low-end and high-end of the indicative offer price range without taking into account the 1% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee. We have also assumed no exercise of the Over-Allotment Option.

	Based on Offer Price of HK$3.88 per Share	Based on Offer Price of HK$4.60 per Share
Market capitalisation of our Shares	HK$19,400 million	HK$23,000 million
Prospective price/earnings multiple on a pro forma fully diluted basis	33.4 times	39.6 times
Unaudited pro forma adjusted net tangible asset value per Share	HK$1.16	HK$1.34

The calculation of our market capitalisation upon completion of the Global Offering is based on the assumption that 5,000,000,000 Shares will be in issue and outstanding immediately following the completion of the Capitalisation Issue and the Global Offering. Our prospective price/earnings multiple on a pro forma fully diluted basis is based on the high-end and low-end of the indicative offer price range and the forecasted earnings per Share on a pro forma fully diluted basis as disclosed in the section headed "Financial Information — Profit Forecast for the Year Ending 31 December 2010", assuming completion of the Global Offering on 28 October 2010. The adjusted net tangible asset value per Share is calculated after the adjustments referred to in the section headed "Financial Information — Unaudited Pro Forma Adjusted Net Tangible Assets" in this prospectus and on the basis of a total of 5,000,000,000 Shares in issue immediately following the Capitalisation Issue and the Global Offering.

FUTURE PLANS

Our goal is to consolidate our position as the leading cardio-cerebral vascular drug franchise in the PRC and to continue to grow our sales in other targeted high growth therapeutic areas.

To achieve this, we plan to continue to strengthen our cardio-cerebral vascular drug business and expand our product portfolio with complementary products in new target therapeutic areas. In addition, we plan to further strengthen our research and development capability to develop product candidates that have high commercial potential and low development risks. Furthermore, we plan to expand our sales and marketing network and build additional production capacity and capability. For details of our strategies, see the section headed "Business — Our Strategies" in this prospectus.

USE OF PROCEEDS

The net proceeds from the Global Offering available to us (after deduction of underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering, assuming the Over-Allotment Option is not exercised) are approximately HK$5,071.0 million, assuming an

Offer Price of HK$4.24, being the mid-point of the indicative range of the Offer Price of HK$3.88 to HK$4.60 per Share (or if the Over-Allotment Option is exercised in full, approximately HK$5,837.5 million, assuming an Offer Price of HK$4.24, being the mid-point of the indicative range of the Offer Price of HK$3.88 to HK$4.60 per Share).

We plan to use our net proceeds from the Global Offering as follows:

- Approximately 20% of the net proceeds, or approximately HK$1,014.2 million for research and development:

  — of which 10% of the net proceeds, or approximately HK$507.1 million will be used to fund our product development and research in order to develop new products in our targeted therapeutic areas of anti-infective, metabolism, cardiovascular system, oncology and central nervous system. In identifying these targeted therapeutic areas, we will seek to address market segments where medical demands have not been satisfactorily fulfilled in the PRC and where we believe we are well-positioned to realise commercialisation; and

  — the remaining 10% of the net proceeds, or approximately HK$507.1 million will be used for the development of our existing product candidates (including but not limited to nalmefene hydrochloride, fasudil hydrochloride injection, levetiracetam injection, levophencynonate hydrochloride and other existing product candidates);

- Approximately 15% of the net proceeds, or approximately HK$760.6 million, for acquisition of specific products or product lines to complement and expand our existing product portfolio;

- Approximately 15% of the net proceeds, or approximately HK$760.6 million, for funding the capital expenditures required for the construction of our two new production facilities located in Langfang and Beijing;

- Approximately 30% of the net proceeds, or approximately HK$1,521.4 million, for merger and acquisition opportunities if we identify suitable target companies or businesses for such activities;

- Approximately 10% of the net proceeds, or approximately HK$507.1 million, for enhancement of our sales and distribution efforts, of which approximately HK$177.5 million will be used for hiring additional marketing and sales personnel and establishing additional regional offices, HK$202.8 million will be used to expand our distribution network and HK$126.8 million will be used to organise and sponsor medical seminars and conferences and other promotional activities; and

- Approximately 10% of the net proceeds, or approximately HK$507.1 million, will be used for working capital and general corporate purposes, particularly for the increased cash flow need resulting from the change to our business model. See the section headed "Financial Information — Principal Income Statement Items" in this prospectus.

To the extent that the proceeds from the Global Offering are not immediately applied for this purpose, we intend to place the proceeds, insofar as permitted by applicable laws and regulations, as short-term interest-bearing deposits in bank accounts with authorised financial institutions or licensed banks in Hong Kong. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

In the event that the Offer Price is finally determined at the high-end of the indicative offer price range, the estimated net proceeds we will receive from the Global Offering will be approximately HK$5,504.8 million (assuming the Over-Allotment Option is not exercised), or approximately HK$6,336.4 million (assuming the Over-Allotment Option is exercised in full). In such case, our Directors intend to apply the additional net proceeds in the same proportions as set out above. In the event that the Offer Price is finally determined at the low-end of the indicative offer price range, the estimated net proceeds we will receive from the Global Offering will be approximately HK$4,637.1 million (assuming the Over-Allotment Option is not exercised), or approximately HK$5,338.5 million (assuming the Over-Allotment Option is exercised in full). In such case, our Directors intend to apply the reduced net proceeds in the same proportions as set out above and we will finance such shortfall through internal cash resources and/or additional bank borrowings, as and when appropriate.

In addition, as of 30 June 2010, we had cash and cash equivalents of RMB620.4 million, representing 45.5% of our total assets. We believe that the liquidity in our asset base positions us well to take advantage of opportunities as they arise.

DIVIDENDS AND DIVIDENDS POLICY

We declared dividends of RMB nil, RMB60.7 million and RMB120.0 million for 2007, 2008 and 2009, respectively. All of these dividends have been paid. Our Directors may declare dividends after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on IFRS, our Memorandum of Association and Bye-Laws, the Bermuda Companies Act, applicable laws and regulations and other factors that our Directors deem relevant.

RISK FACTORS

There are risks and uncertainties relating to our business, the PRC pharmaceutical industry, the PRC in general and the Global Offering. We have described major risks and uncertainties under the section headed "Risk Factors" in this prospectus. The following is a summary of these risks and uncertainties:

Risks relating to our business

- We are dependent on the sales of Kelinao and Anjieli.
- We rely on third-party subcontracting manufacturers to produce some of our pharmaceutical products.
- Our research and development activities may not result in the successful development of a new product.

- Our products may not achieve widespread market acceptance.
- If severe adverse side effects are discovered in our products, our business and reputation may be materially and adversely affected.
- We have experienced decreasing gross profit margins and net profit margins during the Track Record Period and there can be no assurance that we will not experience further decreases in our profit margins in the future.
- We depend on a limited number of suppliers for APIs and raw materials for our pharmaceutical products and we have not entered into long-term supply contracts with most of our APIs and raw material suppliers.
- Any prolonged or significant disruption to our manufacturing operations may adversely affect our business, financial condition and results of operations.
- We may not be able to adequately protect our intellectual property rights.
- We may be exposed to infringement claims if we infringe third-party proprietary or intellectual property rights.
- Our employees, distributors or third-party sales representatives could engage in corrupt or other improper conduct that could harm our reputation and business.
- We rely on our distributors and third-party sales representatives.
- We may not be able to successfully implement our business strategies.
- There is no guarantee that those manufacturing permits that have expired can be successfully re-registered after the SFDA review period.
- We may not be able to continue our use or planned use of certain facilities.
- Our business depends on the continuing efforts of our executive directors and our key personnel.
- Our success is dependent on our reputation and brand names.
- Our insurance coverage may not completely cover the risks related to our business and operations.
- We may be subject to product liability, personal injury or wrongful death claims.
- We are subject to environmental regulations and may be exposed to liability and potential costs for environmental compliance.
- Unexpected business interruptions resulting from epidemics, natural disasters or terrorist acts could affect our business.

- Our internal control systems and compliance procedures may have deficiencies and weaknesses and we have identified two incidents of non-compliance involving one of our investment holding companies under Hong Kong law and regulations.

Risks relating to the pharmaceutical industry in the PRC

- The pharmaceutical industry is highly regulated and our business would be adversely affected if we fail to maintain our licences for production and sale or to comply with relevant regulations. Furthermore, the introduction of any changes in compliance standards, or any new laws or regulations, may have a material adverse effect on our results of operations.

- Our products are subject to price controls and we do not have full discretion over the pricing of such products.

- We may not always be successful in winning bids to supply our products to public hospitals and other public healthcare institutions in the PRC.

- The PRC pharmaceutical industry is competitive.

- There is no assurance that our products will continue to be, or new products developed by us will be, listed in the National Medicine Catalogue and the Provincial Medicine Catalogue.

Risks relating to the PRC

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

- 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, financial condition and results of operations.

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

- We may be affected by the changes in or cessation of income tax incentives and financial subsidies.

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

- Dividends from PRC subsidiaries may become subject to PRC taxes.

- Certain of our PRC subsidiaries have underpaid their contributions to employee housing provident funds.

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

- The implementation of the PRC Labour Contract Law, its implementation regulation and other labour-related regulations may increase our operating expenses.

- 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.

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

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

- Failure to comply with the SAFE regulations relating to the establishment of special purpose vehicles by our beneficial owners may have a material adverse effect on our business operations, limit our ability to inject capital into our PRC subsidiaries, limit the ability of our PRC subsidiaries to distribute profits to us or subject us to fines.

- Fluctuations in the exchange rates of the RMB may adversely affect our results of operations and financial condition, as well as your investment.

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

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

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

Risks relating to this Global Offering

- Future sale of the Shares or major divestment of Shares by any major Shareholder may have an adverse effect on our Share price.

- The Share price may fluctuate, which could result in substantial losses for investors purchasing Shares in the Global Offering.

- We may not declare dividends in the future.

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

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

- New investors will incur immediate dilution and may experience further dilution.

- 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 statements contained in this prospectus are subject to risks and uncertainties.

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

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

"affiliate"	person or entity directly or indirectly controlled by, or under the direct or indirect common control of, one person or entity
"Anjieli (安捷利)"	Cinepazide maleate products trade-marked as "安捷利" and produced by Beijing Sihuan with a product specification of 10 ml:320 mg
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s) or, where the context so requires, either of them that is used in connection with the Hong Kong Public Offering
"Beijing Ao He Research"	北京澳合藥物研究院有限公司 (Beijing Ao He Research Institute Co., Ltd.), an indirect wholly-owned subsidiary of our Company established in the PRC on 12 May 2010 and principally engaged in the research and development of the Group's pharmaceutical products
"Beijing Di Ao Lin"	北京地澳林醫藥科技有限公司 (Beijing Di Ao Lin Pharmaceutical Technical Co., Ltd.), a subsidiary of our Company established in the PRC on 5 February 2010 and principally engaged in intellectual property rights related registration applications of products developed by KBP BioSciences
"Beijing Sihuan"	北京四環制藥有限公司 (Beijing Sihuan Pharmaceutical Co., Ltd.), an indirect wholly-owned subsidiary of our Company established in the PRC on 26 December 1995 and principally engaged in manufacturing the Group's pharmaceutical products
"Bermuda Companies Act"	The Companies Act 1981 of Bermuda, as amended, supplemented or modified from time to time
"Board of Directors" or "Board"	our board of Directors
"business day"	a day that is not a Saturday, Sunday or public holiday in Hong Kong
"Bye-Laws"	the bye-laws of our Company, as amended, supplemented or modified from time to time
"CAGR"	Acronym for compound annual growth rate

"Capitalisation Issue"	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed "Statutory and General Information — A. Further Information about Our Company — 3. Written resolutions of the shareholders of our Company passed on 8 October 2010" in Appendix VIII to this prospectus
"CEO"	the chief executive officer of our Company
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"China Pharma"	China Pharma Limited, a limited liability company incorporated under the laws of Bermuda on 17 July 2009 and owned as to one-third by Plenty Gold, one-third by Dr. Che and one-third by Dr. Guo. China Pharma is an investment holding company
"China" or "PRC"	the People's Republic of China, except where the context requires, geographical or statistical references in this prospectus to China or the PRC exclude Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended supplement or otherwise modified from time to time
"Companies Registry"	the companies registry of Hong Kong
"Consortium Shareholders"	MSPEA Pharma BV, Plenty Gold and Plenty Gold's shareholders, namely Dr. Che, Dr. Guo, Mr. Meng, Mr. Huang and Dr. Zhang

"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Plenty Gold, Dr. Che, Dr. Guo, Mr. Meng, Dr. Zhang and Mr. Huang
"CPL Shares"	such shares in the capital of China Pharma
"CSRC"	China Securities Regulatory Commission
"Daiwa Capital"	Daiwa Capital Markets Hong Kong Limited, our compliance adviser
"Director(s)"	our director(s)
"Dr. Che"	車馮升 (Che Fengsheng), our Chairman, CEO, and an executive Director and one of the co-founders of our Group
"Dr. Guo"	郭維城 (Guo Weicheng), an executive Director and one of the co-founders of our Group
"Dr. Zhang"	張炯龍 (Zhang Jionglong), a non-executive Director of our Company
"Gao Duan Wei Ye"	北京高端偉業醫藥科技有限公司 (Beijing Gao Duan Wei Ye Pharmaceutical Technical Co., Ltd.), an indirect wholly-owned subsidiary of our Company established in the PRC on 25 July 2005 and owned as to 60% by Hainan Sihuan, 20% by Li Wei (李瑋), an independent third party, and 20% by Ma Hongchi (馬洪馳), an independent third party. Gao Duan Wei Ye is principally engaged in developing overseas collaboration opportunities for the Group
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Green application form(s)"	the application form(s) to be completed by the designated White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Euromonitor"	Euromonitor International

"Hainan Ao He"	海南澳合醫藥有限公司 (Hainan Ao He Pharmaceutical Co., Ltd.) (formerly known as 海南四環醫藥銷售有限責任公司 (Hainan Sihuan Sales Co., Ltd.)), an indirect wholly-owned subsidiary of our Company established in the PRC on 31 March 2006 and principally engaged in the trading of pharmaceutical products
"Hainan Sihuan CVD Research"	海南四環心腦血管藥物研究院有限公司 (Hainan Sihuan Cardio-cerebral Vascular Drugs Research Institute Co., Ltd.), an indirect wholly-owned subsidiary of our Company established in the PRC on 21 December 2005 and principally engaged in developing first-to-market generic drugs
"Hainan Sihuan"	海南四環醫藥有限公司 (Hainan Sihuan Pharmaceutical Co., Ltd.), an indirect wholly-owned subsidiary of our Company established in the PRC on 16 March 2001 and principally engaged in the marketing and sale of pharmaceutical products
"Hainan Sihuan Information"	海南四環醫藥信息有限公司 (Hainan Sihuan Pharmaceutical Information Co., Ltd.), an indirect wholly-owned subsidiary of our Company established in the PRC on 4 March 2004 and currently not engaged in any business activities
"Hainan Sihuan Technology"	海南四環醫藥科技有限公司 (Hainan Sihuan Technology Pharmaceutical Co., Ltd.), an indirect wholly-owned subsidiary of our Company established in the PRC on 10 March 2006 and currently not engaged in any business activities
"H.K. dollars" or "HK$" and "cents"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	125,000,000 newly issued Shares offered by us for subscription in the Hong Kong Public Offering, subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus

"Hong Kong Public Offering"	our offering of Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) for cash at the Offer Price and on and subject to the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 15 October 2010 relating to the Hong Kong Public Offering entered into among us, the Hong Kong Underwriters and the Joint Global Coordinators
"IFRS"	International Financial Reporting Standards, as published by the International Accounting Standards Board, as amended from time to time
"IMS"	IMS Health Incorporated, an independent third party
"IMS Report"	a customised report titled "Market Overview for Sihuan Pharmaceutical Holdings Group Ltd." prepared by IMS and commissioned by the Company for the purpose of the Global Offering that uses market definitions as shown in this prospectus
"International Offer Shares"	1,125,000,000 newly issued Shares offered by us pursuant to the International Offering, together with any additional Shares offered pursuant to any exercise of the Over-Allotment Option, subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus
"International Offering"	the conditional placing of the International Offer Shares, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering and parties to the International Underwriting Agreement as described in the section headed "Underwriting — International Offering" in this prospectus

"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering to be entered into among us, the Joint Global Coordinators and the International Underwriters on or around the Price Determination Date, as described in the section headed "Underwriting — International Offering" in this prospectus
"Joint Bookrunners" or "Joint Global Coordinators" or "Joint Sponsors"	Morgan Stanley and UBS
"Joint Lead Managers"	Morgan Stanley, UBS and Daiwa Capital
"KBP BioSciences"	山東軒竹醫藥科技有限公司 (KBP BioSciences Co., Ltd.), a subsidiary of our Company established in the PRC on 23 April 2002 and owned as to 60% by Hainan Sihuan, 17% by Mr. Huang and 23% by Ms. Cai Jun, the wife of Mr. Huang. KBP BioSciences is principally engaged in the research and development of pharmaceutical products
"Latest Practicable Date"	8 October 2010, being the latest practicable date for ascertaining certain information contained in this prospectus prior to its publication
"Langfang Sihuan"	廊坊四環高博制藥有限公司 (Langfang Sihuan Gao Bo Pharmaceutical Co., Ltd.), a subsidiary of our Company established in the PRC on 24 July 2009 and is owned as to 51% by Beijing Sihuan, 34% by 北京高博醫藥化學技術開發有限公司 (Beijing Gao Bo Medicinal Chemistry Technology Co., Ltd.), an independent third party, 10% by Mr. Wang Fuping (王復平), an independent third party and 5% by Mr. Xiong Chuanhui (熊傳輝), an independent third party. Langfang Sihuan is principally engaged in manufacturing raw materials including API and pharmaceutical intermediate products
"Listing"	the listing of our Shares on the Stock Exchange
"Listing Date"	the date, expected to be on or about 28 October 2010, on which our Shares are listed on the Stock Exchange and from which dealings in our Shares are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"Memorandum of Association"	our memorandum of association, as amended, supplemented or otherwise modified from time to time
"MENET"	China Medical and Pharmaceutical Economic Information Network
"Ministry of Finance"	PRC Ministry of Finance (中華人民共和國財政部)
"MOFCOM"	PRC Ministry of Commerce (中華人民共和國商務部)
"MOH"	PRC Ministry of Health (中華人民共和國衛生部)
"Morgan Stanley"	Morgan Stanley Asia Limited
"Mr. Huang"	黃振華 (Huang Zhenhua), one of the senior management members of our Company
"Mr. Meng"	孟憲慧 (Meng Xianhui), an executive Director of our Company
"MSPEA III"	Morgan Stanley Private Equity Asia III, L.P.
"MSPEA III Cayman"	Morgan Stanley Private Equity Asia III Holdings (Cayman) Ltd, the 100% shareholder of MSPEA III Coop
"MSPEA III Coop"	MSPEA III Holdings Coöperatief U.A., the 100% shareholder of MSPEA Pharma BV
"MSPEA III GP"	Morgan Stanley Private Equity Asia III, L.L.C.
"MSPEA III Inc."	Morgan Stanley Private Equity Asia III, Inc.
"MSPEA Pharma BV"	MSPEA Pharma Holdings B.V., a direct Shareholder of our Company
"National Bureau of Statistics"	National Bureau of Statistics of China (中華人民共和國國家統計局)
"NDRC"	PRC National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"Non-competition Deed"	a deed of non-competition, dated 8 October 2010 given by our Controlling Shareholders in favour of us
"NPC" or "National People's Congress"	PRC National People's Congress (中華人民共和國全國人民代表大會) and its Standing Committee

"Offer Price"	the final price per Offer Share in H.K. dollars (exclusive of 1.0% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee) at which Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as further described in the section headed "Structure of the Global Offering" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-Allotment Option
"Over-Allotment Option"	the option we will grant to the Joint Global Coordinators on behalf of the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters pursuant to the International Underwriting Agreement at any time for up to 30 days after the last day for lodging of applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 187,500,000 additional Shares representing 15% of the initial Offer Shares, at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any, details of which are described in the section headed "Structure of the Global Offering — Over-Allotment and Stabilisation" in this prospectus
"PBOC"	People's Bank of China (中國人民銀行), the central bank of China
"PBOC Rate"	the exchange rate for foreign exchange transactions published daily by PBOC
"per cent." or "%"	per centum or percentage
"Plenty Gold"	Plenty Gold Enterprises Limited, a Controlling Shareholder of our Company established under the laws of the British Virgin Islands on 10 March 2004 and owned as to approximately 51% by Dr. Che, 25% by Dr. Guo, 11% by Mr. Meng, 10.1% by Dr. Zhang and 2.9% by Mr. Huang. Plenty Gold is an investment holding company
"PRC Civil Law"	PRC General Principles of the Civil Law (中華人民共和國民法通則), as enacted by the NPC on 12 April 1986 and effective on 1 January 1987, as amended, supplemented or otherwise modified from time to time

"PRC Consumers' Rights Law"	PRC Protection of the Rights and Interests of Consumers Law (中華人民共和國消費者權益保護法), as enacted by the Standing Committee of the NPC on 31 October 1993 and effective on 1 January 1994, as amended, supplemented or otherwise modified from time to time
"PRC EIT Law"	PRC Enterprise Income Tax Law (中華人民共和國企業所得税法), as enacted by the NPC on 16 March 2007 and effective on 1 January 2008, as amended, supplemented or otherwise modified from time to time
"PRC government"	the central government of China and its political subdivisions, including provincial, municipal and other regional or local government bodies or, as the context requires, any of them
"PRC Labour Contract Law"	PRC Labor Contract Law (中華人民共和國勞動合同法), as enacted by the Standing Committee of the NPC on 29 June 2007 and effective on 1 January 2008, as amended, supplemented or otherwise modified from time to time
"Price Determination Date"	the date, expected to be on or around 20 October 2010 but no later than 26 October 2010, on which the Offer Price is fixed for the purposes of the Global Offering
"Property Valuation Report"	property valuation report prepared by Jones Lang LaSalle Sallmanns Limited, independent property valuer, and included as Appendix IV to this prospectus
"Qualified Institutional Buyers" or "QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the reorganisation of our assets and liabilities, including assets and liabilities of our subsidiaries and associated companies, as described in the section headed "History, Reorganisation and Corporate Structure" in this prospectus and in "Appendix VIII — Statutory and General Information — A. Further Information About our Company — Corporate reorganisation" to this prospectus
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act

"SAFE"	the PRC State Administration of Foreign Exchange (中華人民共和國國家外匯管理局)
"SAFE Notice on SPVs"	Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore 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), as promulgated by the SAFE on 21 October 2005 and effective on 1 November 2005, as amended, supplemented or otherwise modified from time to time
"SAIC"	PRC State Administration for Industry and Commerce
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"SFDA"	State Food and Drug Administration of the PRC, formerly known as the State Drug Administration
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplement or otherwise modified from time to time
"SGX-ST"	Singapore Exchange Securities Trading Limited
"Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Sihuan"	Shenzhen Sihuan Pharmaceutical Co., Ltd. (深圳四環醫藥有限公司), an indirect wholly-owned subsidiary of our Company established in the PRC on 13 August 2003 and principally engaged in marketing and sale of pharmaceutical products
"sq.m."	square metres
"Stabilising Manager"	Morgan Stanley
"Stamp Duty Ordinance"	the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), as amended supplement or otherwise modified time to time
"State Council"	State Council of the PRC (中華人民共和國國務院)

"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Morgan Stanley (or its affiliates or any person acting for it) and Plenty Gold on or about the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sun Moral"	Sun Moral International (HK) Limited (耀忠國際(香港)有限公司), a direct wholly-owned subsidiary of our Company incorporated in Hong Kong on 5 October 2007 and an investment holding company
"Top Matrix"	Top Matrix Enterprises Limited, a company incorporated under the laws of the British Virgin Islands
"Track Record Period"	the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010
"Trustee Co"	Sihuan Management (PTC) Limited, a private trust company incorporated in the British Virgin Islands and a direct Shareholder of our Company
"UBS"	UBS AG, Hong Kong Branch
"Undertaking Shareholders"	Plenty Gold, Dr. Che, Dr. Guo, Mr. Meng and Mr. Huang
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"US Person"	a "US Person" as defined in Regulation S of the U.S. Securities Act
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

"we," "us," "our," "our Company" or "our Group"	Sihuan Pharmaceutical Holdings Group Ltd., a limited liability company incorporated under the laws of Bermuda on 26 April 2006 and, and, unless the context otherwise requires, all of its subsidiaries, or, where the context refers to any time prior to its incorporation, the businesses which the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by such subsidiaries pursuant to the Reorganisation in connection with the Global Offering
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"WHO"	World Health Organization
"Youbang Research"	海南友邦福康藥物研究所有限公司 (Hainan Youbang Fukang Drugs Research Institute Co., Ltd.), an independent third party

In this prospectus:

- the terms "associate", "connected person", "connection transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

- unless the context otherwise requires, references to "2007", "2008" and "2009" in this prospectus are to the years ended 31 December 2007, 2008 and 2009, respectively.

- English names of our PRC subsidiaries are for identification purpose only.

The technical glossary contains explanation of certain terms used in this prospectus as they relate to our Company and as they are used in this prospectus in connection with our Group and our business. These terms and their given meanings may not correspond to standard industry definitions.

"active ingredient(s)", "active pharmaceutical ingredient(s)" or "API(s)"	:	the biologically active substance in a pharmaceutical product, responsible for the therapeutic effect of a drug
"agranulocytosis"	:	an acute blood disorder (often caused by radiation or drug therapy) characterised by severe reduction in granulocytes
"aneurysmal subarachnoid hemorrhage"	:	bleeding into a certain area of the brain, due to rupture of cerebral blood vessels
"angina"	:	chest pains caused by an inadequate flow of blood to the heart, generally due to obstruction or spasm of the heart's blood vessels
"anti-infective"	:	chemicals produced by living organisms synthesised or created in laboratories for the purpose of killing other disease-causing organisms
"bio-markers"	:	a biological indicator of a particular disease state or a biological process
"branded generic drugs"	:	generic drugs which are sold under a specific brand name, rather than the generic molecule name
"capsules"	:	a form of medicine sealed in a gelatin capsule for oral administration
"cardio-cerebral vascular "	:	relating to or affecting the brain, heart, blood vessels, or circulatory systems
"cardiovascular"	:	relating to or affecting the heart, blood vessels or circulatory systems
"cerebral arteriosclerosis"	:	hardening and thickening of the walls of the arteries in the brain
"cerebral infarction"	:	stroke, blockage of blood flow to the cerebrum, resulting in brain tissue damage
"cerebral thrombosis"	:	blood clot formation in a blood vessel in the brain
"Class I hospitals"	:	local hospitals with small capacity designated as class I hospitals by the MOH hospital classification system that provide one community with elementary medical services

"Class II hospitals"	:	regional hospitals with minimum capacity designated as class II hospitals by the MOH hospital classification system that provide multiple communities with integrated medical services and undertake certain educational and scientific research missions
"Class III hospitals"	:	multi-regional hospitals with large capacity designated as class III hospitals by the MOH hospital classification system that provide multiple regions with high-quality professional medical services, undertake higher education and scientific research initiatives and are followed by lower ranked class II and class I hospitals
"clinical trial(s)"	:	a research study for validating or finding the therapeutic effects and side-effects of test drugs in order to determine the therapeutic value and safety of such drugs
"CNS"	:	acronym for central nervous system
"coronary heart disease"	:	the end result of the accumulation of atheromatous plaques within the walls of the arteries that supply the myocardium (the muscle of the heart)
"drug(s)"	:	a substance used in the diagnosis, treatment, or prevention of a disease or as a component of a medication
"dyscrasias"	:	the pathologic conditions or disorders such as leukemia or hemophilia in which the constituents of the blood are abnormal or are present in abnormal quantity
"embolism"	:	blood vessel obstruction, often by a blood clot from another part of the body
"first-to-market generic drug"	:	first generic drugs that receive approval to be marketed
"generic drugs"	:	drugs which use the same active ingredients as the original products and are generally available in the same strengths and dosage forms as the original
"GMP"	:	acronym for "Good Manufacturing Practice". A set of guidelines and regulations, issued from time to time pursuant to the Law of the PRC on the Administration of Pharmaceuticals (中華人民共和國藥物管理法) as part of quality assurance which is designated to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled with conformity to the quality and standards appropriate for their intended use
"granules"	:	a granular form medicine for oral administration

"GSP"	:	acronym for "Good Supply Practice". A set of management procedures and standards regulating the pharmaceutical products supply chain
"hypertension"	:	high blood pressure
"hypotension"	:	low blood pressure
"innovative drugs"	:	drugs that are new chemical or biochemical entities and are different from existing options to treat diseases
"ischemia"	:	disease caused by an inadequate flow of blood to an organ or tissue
"ischemia-reperfusion injury"	:	injury relating to functional, metabolic, or structural changes in ischemic tissues resulting from the restoration of blood to ischemic tissues
"ischemic cardio-cerebral vascular disease"	:	disease caused by an inadequate flow of blood to the heart and/or blood vessels in the brain
"lyophilised powder for injection"	:	a soluble drug in powder form for injection which is prepared through a process of drying by freezing, sublimation and dehydration
"modern Chinese medicines"	:	a modernisation of traditional Chinese medicines, employing modern technology to inter alia, analyse the effectiveness of the medicinal qualities of plant and other natural substances extracts and improve the classification and selection/prescription of formulae based on traditional Chinese medicines
"myocardial"	:	cardiac muscle related
"myocardial infarction"	:	heart attack
"National List of Essential Drugs"	:	a list of drugs promulgated by the MOH to promote essential medicines to be sold to consumers at fair prices and to ensure equal access by the general public
"National Medicine Catalogue"	:	a catalogue of the list of pharmaceutical products under the National Basic Medical Insurance and Work-Related Injury Insurance of the PRC (中國基本醫療保險和工傷保險藥品目錄) as determined by the PRC State level authorities for general application throughout the PRC. The National Medicine Catalogue is divided into two parts, Part A and Part B
"neurology"	:	a branch of medicine and biology concerning the nervous system

"neurotoxins"	:	toxic substances that interfere with the functions of the nervous system
"neurotrophins"	:	substances that promote the survival, function and growth of neurons
"new drug"	:	a drug which has not previously been marketed in the PRC and which is required to be registered as a new pharmaceutical product in accordance with applicable rules and regulations in the PRC as summarised in the section headed "Appendix VII — Summary of Principal Legal and Regulatory Provisions — Registration of Pharmaceutical Products — Registration of New Pharmaceutical Products" in this prospectus
"opioid"	:	any agent that binds to opioid receptors found principally in the central nervous system and gastrointestinal tract
"Originator"	:	the original developer of innovative drugs
"parenteral"	:	administered into the body in a manner other than through the digestive tract, such as by intravenous or intramuscular injection
"Parkinson's disease"	:	a degenerative disorder of the central nervous system that often impairs the sufferer's motor skills, speech and other functions
"peripheral neuropathy"	:	diseases of the peripheral nerves external to the brain and spinal cord
"peripheral vasodilator" or "peripheral vascular therapy(ies)/drug(s)" or "peripheral vasodilation drug(s)"	:	drugs used for the dilation of blood vessels outside of the heart and the brain
"platelet aggregation"	:	the clumping together of platelets in the blood
"preclinical trial"	:	a laboratory test of a new drug on animal subjects, conducted to gather evidence justifying a clinical trial
"preparation"	:	a medical substance made ready for use
"Provincial Medicine Catalogue"	:	the list of pharmaceutical products under Part B of the National Medicine Catalogue as varied with limited changes by the different provincial level authorities with respect to the medicines that are included in that Part. This results in some regional variations between different provinces with respect to the medicines that are included under the Provincial Medicine Catalogue of the respective provinces

"synapse"	:	a structure that permits a neuron to pass an electrical or chemical signal to another cell in a nervous system to coordinate smooth, skeletal and cardiac muscles, bodily secretions and other organ functions in a body
"synaptic impulses"	:	an electrical or chemical signal in form of an impulse passing across a synapse from a neuron to another cell in a nervous system
"tablets"	:	a tablet form medicine for oral administration
"transient cerebral ischemic event"	:	temporary inadequate blood supply to a restricted area of the brain (generally referred to as a "mini stroke")
"thromboarteritis obliterans"	:	arterial inflammation with thrombus formation
"thrombocytopenia"	:	the presence of relatively few platelets in blood
"thrombus"	:	clotting
"traditional Chinese medicines"	:	an expression used to describe the body of knowledge of the medicinal qualities of plant and animal extracts that have been passed down over thousands of years in China
"vasculitis"	:	a group of diseases that feature inflammation of the blood vessels
"vasodilation"	:	dilation of blood vessels
"vertebrobasilar ischemia"	:	localised or diffused reduction in blood flow through the vertebrobasilar arterial system, which supplies the brain stem, cerebellum, occipital lobe, medial temporal lobe and thalamus
"vertigo"	:	a type of dizziness due to a dysfunction of the vestibular system in the inner ear
"voltage-sensitive sodium channels"	:	channels that regulate the flow of sodium across the membrane in all cells mediating conduction across the synapses
"western drug/medicine"	:	the type of drug/medical treatment that is standard in Europe and North America, as opposed to alternative medicine, such as traditional Chinese medicine

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 Bermuda 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 and the United States. 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 the Shares, and could cause you to lose all or part of your investment.

This prospectus also contains "forward-looking statements" that involve risks and uncertainties. The actual results of our Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, the risks faced by our Group as described in this prospectus. If any of the following considerations and uncertainties develops into actual events, our business, financial condition or results of operations or cash flows may be adversely affected. In such circumstances, the trading price of the Shares could decline and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We are dependent on the sales of Kelinao and Anjieli

We are dependent on the sales of Kelinao and Anjieli, our cinepazide maleate products. During 2007, 2008, 2009 and the six months ended 30 June 2010, revenue derived from sales of Kelinao and Anjieli represented 66.5%, 60.1%, 57.3% and 57.7%, respectively, of our total revenue, while revenue derived from sales of Kelinao represented approximately 62.0%, 50.8%, 46.7% and 45.6% of our total revenue, respectively. We expect that the sales of Kelinao and Anjieli will continue to comprise a substantial portion of our revenues in the near future. Our business will therefore remain sensitive to the sales volume and pricing of Kelinao and Anjieli. Sales volume and pricing of Kelinao and Anjieli could be adversely affected in the event other pharmaceutical manufacturing companies produce similar products or products having comparable or better efficacy, or produce products which may be used as direct or indirect substitutes for our products, and such products are launched in the PRC market at prices comparable to, or lower than, our prices. Sales volume and pricing of Kelinao and Anjieli could also be impacted by government regulation. For example, on 1 July 2010, the NDRC issued a notice (Fagaidian [2010] No. 253) with regard to a survey of the wholesale prices of certain pharmaceutical products. Cinepazide maleate, which is the active ingredient for Kelinao and Anjieli, is one of the products that are included in this survey. There is no assurance that downward adjustment to the maximum retail prices of these products as a result of the survey, which may have an indirect impact on our revenue, will not happen.

If we are unable to maintain our current sales volume and pricing of Kelinao and Anjieli, our business, financial condition, results of operations and business prospects would be materially and adversely affected.

We rely on third-party subcontracting manufacturers to produce some of our pharmaceutical products

We have entered into subcontracting manufacturing agreements with certain third-party pharmaceutical manufacturers to produce some of the pharmaceutical products that we sell, including key products such as Chuanqing, Qu'Ao and Kanglixin. Revenue derived from sales of our

pharmaceutical products produced by subcontracting manufacturers constituted approximately 23.6%, 30.6%, 27.7% and 23.4% of our total revenue for 2007, 2008, 2009 and the six months ended 30 June 2010, respectively. Purchases from our largest subcontracting manufacturer, Harbin Tri-Lion Pharmaceutical Co., Ltd., accounted for approximately 25.2%, 34.3% and 28.0% of our total purchases for 2007, 2008 and 2009, respectively.

Our subcontracting manufacturing agreements are generally for terms of three to ten years and there is no assurance that we will be able to successfully renew or extend them upon their expiry. In addition, a subcontracting manufacturing agreement may be terminated by a non-breaching party if the other party materially breaches the agreement. If we fail to renew or extend our existing agreements and we are unable to procure manufacturers to produce the relevant products, or to produce the products ourselves, each of which would require new manufacturing permits to be obtained, we will not be able to continue the sale of these products due to the shortage and our results of operations would be adversely affected.

In particular, although our agreements with our subcontracting manufacturers do not prevent us from subcontracting the production of the relevant products to other subcontracting manufacturers, the relevant manufacturing permits for the production of these products are granted by the SFDA to the subcontracting manufacturers and not to us, and, as a result, we rely solely on the relevant subcontracting manufacturers to meet our production requirements for these products. It is legal for us to sell such products even though they are manufactured by our subcontracting manufacturers, as manufacturing permits are not required in the sales and distribution of drugs. See the sections headed "Business — Subcontracting Arrangements" and "Business — Legal and Compliance" in this prospectus for additional information. In the event that the production capacities of our subcontracting manufacturers are insufficient to meet our demand or our subcontracting manufacturers are unable to continue with their present operations as a result of a revocation of their operating licenses, cessation of their business or for any other reason, we may not be able to obtain the necessary manufacturing permits to either produce these products ourselves or procure another manufacturer to produce these products for us, which would adversely affect our business and results of operations. In 2009, our Chuanqing and Qu'Ao subcontracting manufacturer Harbin Tri-Lion Pharmaceutical Co., Ltd. failed to meet its production targets. We estimate that such shortages reduced our potential sales revenue of Chuanqing and Qu'Ao by approximately RMB30.4 million and RMB6.8 million, respectively, in 2009 and limited our further expansion in the relevant markets for that year. In 2010, we have not experienced such shortages.

Our research and development activities may not result in the successful development of a new product

Our future growth and prospects are dependent on our ability to successfully develop new pharmaceutical products, which can be affected by many factors. We may not be able to successfully develop new products due to reasons beyond our control, including failure to meet clinical safety, efficacy or other standards and requirements during testing and clinical trial, or failure to obtain regulatory approvals, including SFDA approval, on time or at all. Clinical trials are lengthy and expensive, and their results can be highly unpredictable. The process of obtaining SFDA approval can also be lengthy and expensive and the SFDA and other regulatory authorities may impose certain standards for safety, manufacturing, packaging and distribution of new products. Complying with such standards may be time-consuming and expensive and could result in delays in obtaining SFDA approval, or possibly prevent us from obtaining SFDA approval altogether. Even if we do obtain SFDA approval for a new product, such approval may be subject to certain conditions or limitations.

There is also no assurance that any research and development activities conducted or commissioned by us will be completed within the anticipated time frame or that the costs of such research and development activities can be fully or partially recovered. Our research and development spending for 2007, 2008 and 2009 and the six months ended 30 June 2010 were RMB65.0 million, RMB36.4 million, RMB48.2 million and RMB50.8 million, respectively. If our research and development activities do not result in the successful development of a new product, we will need to write-off the relevant capitalised development costs relating to that product, which would adversely affect our financial condition and results of operations. For example, 2009, our subsidiary KBP BioSciences discontinued certain research and development projects due to certain unexpected technical difficulties and other commercial reasons, which resulted in an impairment of goodwill of RMB35 million in 2009. For details, see the section headed "Financial Information — Certain Balance Sheet Items — Intangible assets" in this prospectus.

We have entered into research collaboration agreements, strategic alliances and/or co-operative development plans with certain research institutes and companies to develop new products and to benefit from their expertise, skills, resources and knowledge in developing new and competitive products. We have also entered into technology acquisition agreements with some third-party pharmaceutical companies, pursuant to which we commission such companies to carry out the research and development of certain pharmaceutical products identified by us. See the section headed "Business — Research and Development — Collaboration with external research partners" in this prospectus for additional information. There is no assurance that we will be able to maintain such relationships or enter into new relationships. Any deterioration in our existing relationships, misappropriation of research results or failure to enter into other new relationships with suitable research partners on acceptable terms to us for future research and development projects may have an adverse impact on our ability to successfully develop new products and applications of existing products, which in turn could adversely affect our growth prospects.

Our products may not achieve widespread market acceptance

Our future growth and prospects are dependent on the ability of our products to achieve widespread market acceptance. New products and new applications of existing products that appear to be promising in their early phases of the research and development process may fail to achieve widespread market acceptance for various reasons, such as competition from other products, an unsuccessful marketing strategy, lack of acceptance by physicians, failure to be listed in the National Medicine Catalogue or Provincial Medicine Catalogue or other factors beyond our control. If our products fail to achieve or maintain widespread market acceptance, our growth prospects may be adversely affected.

If severe adverse side effects are discovered in our products, our business and reputation may be materially and adversely affected

If severe adverse side effects are discovered in our products, we may be faced with a number of consequences, including: recall or withdrawal of such products; removal of regulatory approvals for such products or the relevant manufacturing facilities; lower success in winning bids submitted to the collective tender processes; removal of such products from the National Medicine Catalogue and Provincial Medicine Catalogue and exposure to lawsuits relating to such products. The occurrence of any of the foregoing would adversely impact our sales of the affected products and our reputation.

The discovery of severe side effects of products manufactured or sold by other pharmaceutical companies may also adversely affect the sales of our products that have the same active ingredients, which could have an adverse effect on our business, financial condition and results of operations. Pharmaceutical products containing certain active ingredients used in our pharmaceutical products have been withdrawn, declined registration or otherwise imposed with other restrictions in countries outside of the PRC following reports of certain side effects. In 1988, following reports of several cases of blood dyscrasias including agranulocytosis associated with the use of cinepazide tablet products with 600mg daily dosage, the Spanish Committee on Drug Surveillance recommended the withdrawal of cinepazide products. Subsequently, the manufacturers of cinepazide products withdrew their products from the Spanish market. Egypt declined the registration of cinepazide products in 1988. In other countries, cinepazide products are required to include a relevant warning on these side effects.

In 2002 and 2006, respectively, the SFDA approved our Kelinao and Anjieli, of which the main active ingredient for both is cinepazide maleate, which are in injection form with 320 mg daily dosage. Any future prohibition on, additional regulatory controls over or negative publicity in relation to, cinepazide maleate or any other active ingredients used in our products could have a material adverse effect on our business, reputation, financial condition and results of operations. See the section headed "Business — Our Products — Cardio-cerebral vascular drugs — Kelinao and Anjieli" in this prospectus for additional information on the history and development of Kelinao and Anjieli.

We have experienced decreasing gross profit margins and net profit margins during the Track Record Period and there can be no assurance that we will not experience further decreases in our profit margins in the future

Our gross profit margin is affected by our product mix, particularly by the proportion of high gross profit margin products as compared to low gross profit margin products. During 2007, 2008, 2009 and the six months ended 30 June 2010, our gross profit margin was 78.9%, 73.8%, 72.9% and 73.2%, respectively. The decrease in our gross profit margin was mainly due to our acquisition of Shenzhen Sihuan (which is principally engaged in the sale of anti-infective drugs and other drugs), and the resulting increase in the proportion of our revenue derived from the sale of anti-infective drugs and other drugs, which command a lower average gross profit margin compared to our cardio-cerebral vascular drugs. Our gross profit margin was also negatively impacted by an increased proportion in our product mix of drugs manufactured by subcontracting manufacturers, which have lower average gross profit margins compared to products manufactured at our production facilities.

During 2007, 2008 and 2009 and the six months ended 30 June 2010, our net profit margin was 62.5%, 45.8%, 44.2% and 52.3%, respectively. Our net profit margin is affected by our product mix as well as by non-recurring income and expenses such as impairment of intangible assets, gains on disposals of subsidiaries or associated companies and changes to our effective income tax rate. The lower net profit margin in 2008 and 2009 was mainly due to the impairment of intangible assets and gain on disposal of an associated company. Absent such expenses and gain, our net profit margin in 2008 and 2009 would have been 50.2% and 50.2%, respectively.

As we plan to further diversify our product portfolio, there can be no assurance that we will not experience decreasing gross profit margins in the future. In addition, our profitability for future fiscal years may be negatively affected by other non-recurring income and expenses. As a result, we may experience decreasing net profit margins in the future.

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

We depend on a limited number of suppliers for APIs and raw materials for our pharmaceutical products and most of these supply agreements are entered into on a per transaction basis. During 2007, 2008, 2009 and the six months ended 30 June 2010, we purchased an aggregate amount of APIs and raw materials from our top five suppliers of RMB92.6 million, RMB101.1 million, RMB128.9 million and RMB73.6 million, respectively, representing approximately 84.7%, 68.1% and 63.6% and 45.3%, respectively, of our total purchases of APIs and raw materials. The availability and prices of APIs and raw materials required for our manufacturing processes may be impacted by factors such as general market conditions, demand and supply for the relevant APIs or raw materials, weather conditions and the occurrence of natural disasters. Our reliance on a limited number of suppliers may expose us to the risk of unexpected price increases for purchases of, or shortage in supply of, APIs or raw materials. In 2009, we experienced a shortage in supply of API for Aogan, which we estimate reduced the potential sales revenue from Aogan by RMB43.1 million in 2009. In addition, certain of our main APIs and raw materials are supplied by sole suppliers and the process of filing information of the API supplier with the authority for changing the API supplier can take up to six months. In the event these sole suppliers cease to supply APIs or raw materials to us, we may be forced to suspend or cease production and/or sale of certain of our products. There is no assurance that our suppliers will continue to supply APIs or raw materials at prices and on terms and conditions acceptable to us and we may not be able to pass on any future price increases in APIs or raw materials to our customers, any of which may have a material adverse effect on our results of operations.

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

Approximately 65.1% of our products (based on revenue) in 2009 were manufactured in our own facilities. Our manufacturing operations are therefore an important part of our business and any prolonged or significant disruption to our manufacturing operations, which are concentrated in one location, would have a material adverse effect on our business, financial condition and results of operations. Our manufacturing operations are subject to a number of risks, such as fire, theft, machinery breakdowns, sub-standard performance of our manufacturing equipment, natural disasters, outage of power, shortage of water and diesel, the occurrence of any of which may severely disrupt our manufacturing operations. Although we maintain insurance coverage for certain of our manufacturing equipment and machinery, there is no certainty that such insurance will adequately compensate us for any losses arising from any damage or disruption relating to our manufacturing operations.

In addition, the manufacture of pharmaceutical products requires precise and reliable controls and regulatory authorities in the PRC have imposed significant regulatory requirements and compliance obligations to regulate the industry. For example, all facilities and manufacturing techniques used for the manufacture of pharmaceutical products must be operated in conformity with GMP and manufacturing facilities may be subject to periodic unannounced inspections by the SFDA

and other regulatory authorities. Compliance with such regulatory requirements and obligations may result in delays in our manufacturing operations. Non-compliance with such regulatory requirements and obligations could result in the loss of relevant licenses to conduct manufacturing activities, which would have a material adverse effect on our business, financial condition and results of operations.

We may not be able to adequately protect our intellectual property rights

Our success depends in part on our ability to protect our intellectual property rights. We rely primarily on trademarks, patents, unpatented proprietary technologies, processes and know-how and other contractual provisions to protect our intellectual property rights. However, these may not be adequate to protect our rights to our existing products as well as those products under development. A third party could imitate or use our intellectual property rights without authorisation and policing the unauthorised use of intellectual property can be difficult, time consuming and expensive. Our competitors or other third parties may also independently develop proprietary technologies similar to ours, introduce counterfeits of our products, misappropriate our proprietary information or infringe on our brand names or trademarks. Counterfeit pharmaceutical products are generally sold at lower prices than authentic pharmaceutical products due to their low production costs and may cause confusion to our customers because, in some cases, they have a very similar appearance and use very similar packaging as authentic pharmaceutical products. Although the PRC government has been increasingly active in policing counterfeit pharmaceutical products, there is not yet an effective counterfeit pharmaceutical regulation control and enforcement system in the PRC. The proliferation of counterfeit pharmaceutical products has grown in recent years and may continue to grow in the future. Any such increase in the sales and production of counterfeit pharmaceuticals in the PRC, or the technological capabilities of the counterfeiters, could negatively impact our revenues, brand, reputation, business and results of operations. In addition, any misappropriation of our intellectual property rights may impair the pricing for our products and adversely affect our reputation. Our efforts to protect our intellectual property may not be adequate and we may be unable to identify any unauthorised use of our intellectual property or to take appropriate steps to enforce our rights on a timely basis.

While we are not aware of any infringement of our intellectual property rights in the past, there is no assurance 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. The resulting diversion of financial and management resources to enforce such rights could have a material adverse effect on our business and financial condition.

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

In the course of developing new products, we may be unaware that some third parties have patented similar processes or obtained regulatory protection of similar products and, as a result, unknowingly infringe on some third-party proprietary or intellectual property rights. We also enter into collaboration and/or technology transfer agreements with our research partners or third parties to acquire and/or use their technologies or methods for the production of new pharmaceutical products, as well as into production agreements with third-party subcontracting manufacturers to produce some of our products. Although we are not aware of any infringement claims against us, we have been the subject of infringement claims in the past, and we may be exposed to infringement claims by third

parties in the future. From time to time, we may also purchase APIs or other pharmaceutical intermediates from third parties for our manufacturing operations or undertake the distribution of third parties' products. If such APIs, pharmaceutical intermediates or third parties' products infringe on the intellectual property rights of other third parties, we could also be exposed to infringement claims.

Furthermore, certain of our employees and consultants were previously employed at other pharmaceutical companies, including our competitors or potential competitors, or at universities or other research institutions. Although no claims against us are currently pending, we may be subject to claims that we, our employees or our consultants have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers.

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

Our employees, distributors or third-party sales representatives could engage in corrupt or other improper conduct that could harm our reputation and business

Although our company policies prohibit our employees from engaging in corrupt or other improper conduct, such as making improper payments to healthcare institutions or healthcare practitioners to influence their procurement decisions, we may not be able to effectively control our employees' conduct. Our agreements with our distributors and third-party sales representatives also prohibit them from engaging in similar corrupt or other improper conduct that would harm our reputation and business; however, we have a limited ability to manage the activities of our distributors and the third-party sales representatives. We are not aware of incidents concerning any corrupt or inappropriate conduct engaged in by our employees, distributors or third-party sales representatives during the Track Record Period. However, there is no assurance that our employees, distributors and third-party sales representatives will not engage in corrupt or other improper conduct or violate applicable anti-corruption laws.

In the pharmaceutical industry, corrupt practices include, among others, acceptance of kickbacks, bribes or other illegal gains or benefits by healthcare institutions or healthcare practitioners from pharmaceutical manufacturers and distributors in connection with the procurement or prescription of certain pharmaceuticals. If our employees engage in corrupt or other improper conduct or violate applicable anti-corruption laws, we could be required to pay damages or fines, which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, we could be liable for actions taken by our distributors and third-party sales representatives, including any violations of applicable law in connection with the marketing or sale of our products, or anti-corruption laws and regulations of China, Hong Kong or other countries. It is also possible that the PRC government could adopt new or different regulations affecting the way in which pharmaceutical products are sold to address anti-corruption or other concerns. If our employees, distributors or third-party sales representatives, without our knowledge, previously engaged in improper or illegal conduct to improve sales of our products, and are no longer able to do so due to stronger anti-corruption measures implemented by the relevant authorities, this may affect our sales. Furthermore, we could be liable for actions taken by our employees, distributors and third-party sales

representatives that violate the Foreign Corrupt Practices Act of the United States (the "**FCPA**"). A non-U.S. company is potentially subject to the FCPA, if it acts in furtherance of a corrupt offer, promise, or payment while in the territory of the United States. As shown by recent cases, this is a very broad concept, and it arguably could reach virtually any U.S. dollar bank transaction. It is also conceivable that if funds raised in the United States can be traced to the moneys used to pay a bribe, that, too, could constitute a territorial act in furtherance of a corrupt offer, promise or payment.

Moreover, PRC laws relating to incentive payments are not always clear. As a result, we, our employees, distributors or third-party sales representatives could make certain payments in connection with the promotion or sale of our products or other activities involving our products which at the time are considered by us or them to be legal but are later deemed impermissible by the PRC government. Our brand and reputation, our sales activities or the price of our Shares could be adversely affected if it is alleged that our employees or our distributors or the third-party sales representatives were engaged in any such activities.

We rely on our distributors and third-party sales representatives

We sell substantially all of our products to distributors who in turn sell our products to hospitals, medical institutions and other distributors. During 2007, 2008, 2009 and the six months ended 30 June 2010, aggregate sales to our top five distributors accounted for 30.0%, 21.6%, 19.6% and 16.9%, respectively, of our total revenue. We enter into either ad hoc sales agreements or long-term distribution agreements with the majority of our distributors. Where we do not enter into agreements with distributors, we may not be able to monitor their performance effectively. Our distributors are supported by sales representatives who are given dedicated responsibilities to promote the sale of or solicit customers for our products. We do not sell our products directly to the sales representatives. The sales representatives consist of individuals, who are independent from our distributors and us, and individuals employed by the distributors. They are not our employees. We seek to have a contractual arrangement with the majority of such sales representatives to monitor their performance. Where we do not have formal contracts with the third-party sales representatives, we may not be able to monitor their performance effectively. There is no assurance that our distributors or the third-party sales representatives will continue their business relationships with us or renew their contracts with us. Our distribution agreements and agreements with the third-party sales representatives allow them to terminate the agreements with one month's notice to us, with our prior consent. There is also no assurance that our distributors will continue to purchase our products at current volumes or prices in the future. In the event that any of our major distributors or a significant number of our distributors cease or reduce their purchase of our products, or if the respective distributorship agreements or sales representative relationships are terminated for any reason, or the third-party sales representatives fail to provide our distributors the marketing support necessary for the effective distribution of our products, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to successfully implement our business strategies

The successful implementation of our business strategies is subject to significant business, economic and competitive uncertainties and contingencies, including, among others, the continued growth of the pharmaceutical market in the PRC, the availability of funds, competition and government policies. The implementation of our business strategies may also be adversely affected by

any failure to maintain, renew or establish new relationships with our business partners (such as distributors, research partners and suppliers), delays in the delivery of APIs or raw materials or installation of production equipment, labour disputes, civil unrest, the need to comply with environmental or other laws and regulations, delays in securing requisite government approvals, a general economic downturn, changes in market conditions or other factors beyond our control.

The implementation of our business strategies also involves significant costs, such as the costs inherent in the research and development process for new drugs, the set-up of new offices or operations, the purchase of additional property, plant and equipment and the maintenance of increased inventory levels, which may affect the amount of cash we have available for our working capital requirements. The implementation of our business strategies may also involve unexpected expenses, which could affect our ability to implement our business strategies within our budget or at all. The failure to implement our business strategies in a timely manner, within our budget or at all, could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

There is no guarantee that those manufacturing permits that have expired can be successfully re-registered after the SFDA review period

The manufacturing permits for certain of our products have expired as at the Latest Practicable Date, and the revenue contribution of such products is significant. As required by relevant laws and regulations, a pharmaceutical manufacturing permit is valid for five years. We and the third-party manufacturers have not yet obtained new manufacturing permits for these products because the re-registration procedures in the PRC are currently ongoing. For example, the manufacturing permits for Kelinao and Anjieli expired on 8 April 2008 and we made application for their re-registration on 16 May 2007. We obtained the re-registered manufacturing permits for Kelinao and Anjieli on 8 October 2010 which are valid until 7 October 2015. We have no control of such re-registration process, which may take a long time. As substantially all of these manufacturing permits were issued in recent years and are only subject to the re-registration requirement for the first time, we have little past experience in successfully re-registering these manufacturing permits. Our PRC counsel has confirmed that according to a notice issued by SFDA on 9 March 2007 (《關於開展藥品再註冊受理工作有關事宜的通知》食藥監辦[2007]42號), a notice issued by SFDA on 31 July 2009 (《關於做好藥品再註冊審查審批工作的通知》國食藥監註[2009]387號) and a notice issued by SFDA on 29 September 2010 (《關於做好藥品再註冊審查審批工作的補充通知》國食藥監註[2010]394號), the manufacturing permits for these products can be used during the re-registration period. In particular, currently, the re-registration procedures for the expired manufacturing permits of small volume liquid for injection and lyophilised powder for injection formulations have not been completed by the relevant drug administration authorities. To our Directors' best knowledge, such re-registration process should be completed before October 2011. Applications to re-register the expired manufacturing permits of our products have been submitted and accepted in accordance with applicable PRC laws and regulations. However, there is no guarantee that those expired manufacturing permits can be successfully re-registered after the re-registration period. For the six months ended 30 June 2010, the revenue contribution of the products of which the manufacturing permits expired as of 11 October 2010 was 19.7% of our total revenue. For details, see the section headed "Business — Legal and Compliance" in this prospectus.

We may not be able to continue our use or planned use of certain facilities

During the Track Record Period, Beijing Sihuan constructed two steel-framed interim buildings on its own land, i.e. a packaging plant and an employee cafeteria, with a total area of 1,407.4 sq.m. Because it did not go through the planning procedure for interim buildings as they were meant to be a temporary solution, Beijing Sihuan may be required to remove these buildings prior to a deadline as may be set by relevant authorities. It may also be fined up to a maximum amount of RMB2.85 million. In respect of a Kelinao API manufacturing plant, a boiler room and a reception office built on Beijing Sihuan's own land with a total area of 2,931.50 sq.m., and a scale-up facility and an oral solid medicine packaging factory (constructed partially on Beijing Sihuan's own land and partially on its leased state-owned allocated land with a total area of 781.5 sq.m.), Beijing Sihuan has not acquired the relevant construction planning permits and may be ordered by relevant authorities to remove such plants and be subject to a penalty of up to a maximum amount of RMB274,557.2. Due to the non-compliant use of the state-owned allocated land with an area of 2,178 sq.m. (3.26 mu) occupied by the abovementioned buildings, Beijing Sihuan may also be fined by the relevant authority with a maximum amount of RMB65,340. Taking all these into account, the maximum fine amount which may be imposed on Beijing Sihuan as a result of improper usage or defects in property titles is approximately RMB3.2 million.

During the Track Record Period, Langfang Sihuan built warehouses, boiler rooms, laundries and other buildings with a total area of 3,350.38 sq.m. on a leased parcel of farmer collective-owned land. According to the relevant PRC laws, due to its non-compliant use of the foregoing land, Langfang Sihuan may be required to return and restore the land, remove buildings on it prior to a deadline as may be set by relevant authorities and may be fined up to a maximum amount of approximately RMB886,003.

During the Track Record Period, KBP BioSciences built a dormitory and a warehouse with a total area of 144.64 sq.m. on its own land. KBP BioSciences has not acquired the construction planning permits for the structures because they were meant to be temporary solutions, and may be ordered by relevant authorities to remove such plants and be subject to penalty with the maximum amount of RMB11,000.

Furthermore, according to PRC laws, Hainan Sihuan CVD Research's research laboratory is an interim building which can only be used for up to two years, unless otherwise permitted to be extended for one additional year. The service period for this laboratory expires on 30 December 2010 and if we are unable to extend our use of this laboratory, we may be required to demolish the interim building and move the relevant research activities to another facility.

For details of the improper land usage and defective titles, see the section headed "Business — Properties" in this prospectus. If we are not able to continue our use or planned use of these facilities, our business operations may be disrupted and the costs of our operations may increase. We may be subject to government fines and penalties of up to RMB4.1 million in total. If we were required by relevant authorities to remove the abovementioned buildings and facilities, the total costs of removing and scrapping are estimated to be up to RMB3.6 million. We may incur additional costs if the removed buildings and facilities need to be rebuilt.

Our business depends on the continuing efforts of our executive directors and our key personnel

We believe that our success largely depends on the continued contributions, and our ability to retain the services, of our key personnel, including our executive directors, Dr. Che, Dr. Guo and Mr. Meng. Our executive directors possess expertise and experience in our industry, operations and business that are difficult to replace. We also depend on other members of our management team, our research personnel and other key personnel. We do not maintain any key person insurance for our executive directors or our key personnel. There is no assurance that the services of our executive directors and our key personnel will continue to be available to us or that we will be able to replace any executive director or key personnel with persons who have similar knowledge or experience. The loss of our executive directors' or key personnel's services without suitable replacement would have a material adverse effect on our business.

If one or more of our executive directors or key personnel are unable or unwilling to continue in their present positions, and we are not able to find suitable replacements, our business may be severely disrupted and we may incur additional expenses to recruit and retain replacements. In addition, if any of our executive directors or key personnel joins a competitor or forms a competing company, we may lose some of our customers or other business partners, which could materially and adversely affect our business, results of operations and growth prospects.

Our success is dependent on our reputation and brand names

We believe that the maintenance and enhancement of our reputation, our corporate brand name, "Sihuan" (), and our product brand names, such as "Kelinao" and "Chuanqing," are critical to the success of our business. If any events or circumstances that tarnish our reputation or brand names occur, sales of our existing and future products could be negatively affected, which would adversely affect our business, financial condition and results of operations. Furthermore, we are aware that there are other pharmaceutical companies in the PRC that have corporate names bearing the characters "四環". In the event that there is any negative publicity relating to these pharmaceutical companies or their products, our reputation and corporate brand name could be adversely affected, which would have a material adverse effect on our financial condition and results of operations.

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

Although we maintain insurance coverage relating to employee accidents, social welfare, product transportation and damage to fixed assets resulting from natural disasters, we do not have any product liability, third-party liability or business interruption insurance coverage for our operations. See the section headed "Business — Insurance" in this prospectus for additional information. If any claims for injury or damages are brought against us, or if we experience any business disruption, litigation or natural disaster, we might incur substantial costs and diversion of resources, which may not be fully covered by insurance. 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 ata 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 our production capacity, as well as future revenue anticipated to be derived from the manufacturing activities conducted at that property. Any material uninsured loss could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to product liability, personal injury or wrongful death claims

The nature of our business exposes us to the risk of product liability, personal injury or wrongful death claims that are inherent in the research and development, manufacturing and marketing of pharmaceutical products. Using products under development in clinical trials also exposes us to product liability claims such as unsafe, ineffective or defective products, the improper filling of or labelling of prescriptions, adequacy of warnings and unintentional distribution of counterfeit medicines. These risks are greater for our products that receive regulatory approval for commercial sale. Even if a product is approved for commercial use by an appropriate governmental agency, there is no assurance that users will not claim that effects other than those intended resulted from the use of our products.

Pursuant to the PRC Civil Law, manufacturers or vendors of defective products in the PRC may be subject to civil liability for loss or physical injury to any affected person. Under the Product Quality Law of the PRC, manufacturers that produce defective products may be subject to criminal liability and have their business licenses revoked. In addition, the PRC Consumers' Rights Law, which came into effect in January 1994, offers further protection to the legal rights and interests of customers in respect of the safety of person and property in the purchase and use of goods and services.

Although no claim for personal injury resulting from allegedly defective products has been brought against us in the past, a substantial claim or a substantial number of claims, if successful, could have a material adverse effect on our business, financial condition and results of operations. Lawsuits may divert the attention of our management from our business strategies and may be costly to defend. In addition, product liability insurance for pharmaceutical products is currently not available in the PRC. In the event of allegations that any of our products are harmful, we may experience reduced demand for our products or our products may be recalled from the market. We may also be forced to defend lawsuits and, if unsuccessful, to pay damages.

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 and the controlled use, storage, handling and disposal of hazardous materials and chemicals. We are required to obtain certain clearances and authorisations from government authorities for the treatment and disposal of any discharge. Any violation of these regulations may result in fines, criminal sanctions, revocation of operating permits, shutdown of our facilities and obligation to take corrective measures. We incurred costs for environmental protection of approximately RMB11,000, RMB9,000, RMB24,000 and RMB44,000 for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively, to comply with relevant current and future environmental protection laws and regulations, and there is no assurance that we will not incur future obligations or material liabilities relating to these laws and regulations.

The government may also 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 additional capital expenditures to, among other things, install, replace, upgrade or supplement our equipment relating to pollution control and the use, storage, handling and disposal of hazardous materials and chemicals, or make operational changes to limit any adverse impact or potential adverse impact on the environment in order to comply with new environmental protection laws and regulations. If such costs become prohibitively expensive, we may be forced to modify, curtail or cease certain of our business operations.

Unexpected business interruptions resulting from epidemics, natural disasters or terrorist acts could affect our business

An outbreak of avian influenza, severe acute respiratory syndrome or any epidemic, or increase in the severity of any such epidemic may, depending on their scale of outbreak, lead to serious disruption to the public and have a negative impact on the national and local economies in the PRC. In addition, such outbreaks and other unexpected business interruptions such as natural disasters or terrorist acts, especially in the cities where we, our suppliers, our subcontracting manufacturers 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, which could cause material disruptions to our operations, and in turn, have a material adverse effect on our operations and business.

Our internal control systems and compliance procedures may have deficiencies and weaknesses and we have identified two incidents of non-compliance involving one of our investment holding companies under Hong Kong law and regulations

Our internal control system and compliance procedures are essential to our operations. We have recently discovered that there have been two incidents of non-compliance under Hong Kong legal requirements involving one of our investment holding companies. One incident involved our subsidiary, Sun Moral's inadvertent failure to comply with the regulatory requirements in Hong Kong to prepare audited accounts for the period starting from its incorporation on 5 October 2007 until 31 December 2009. Separately, in January 2010, Sun Moral failed to present all relevant facts and circumstances to the Hong Kong Stamp Office for the adjudication of the ad volarem stamp duty payable for the transfer of the Sun Moral shares from our Company to China Pharma. The unpaid stamp duty for this transfer was adjudicated to be HK$2,019,922 and a penalty of HK$131,600 for the late payment of the stamp duty, was acknowledged by the Hong Kong Stamp Office to be payable. We have submitted an application to the Hong Kong Stamp Office for relief on the stamp duty of HK$2,019,922 and penalty of HK$131,600. The application is still under review by the Hong Kong Stamp Office. As there is a technical basis for the application for relief, no provision has been made in our financial statements as at 30 June 2010. See the section headed "Business — Legal and Compliance" in this prospectus for further details. If we fail to maintain an effective internal control system, our business and compliance procedures, operations and reputation may be adversely affected.

RISKS RELATING TO THE PHARMACEUTICAL INDUSTRY IN THE PRC

The pharmaceutical industry is highly regulated and our business would be adversely affected if we fail to maintain our licences for production and sale or to comply with relevant regulations. Furthermore, the introduction of any changes in compliance standards, or any new laws or regulations, may have a material adverse effect on our results of operations

The pharmaceutical industry in the PRC is highly regulated. The manufacturing and distribution of pharmaceutical products are under the supervisory authority of the SFDA. As a pre-requisite for carrying on a pharmaceutical manufacturing business in the PRC, all pharmaceutical companies are required to obtain from the various government authorities certain permits and licenses, including a business license and a drug manufacturing permit for each pharmaceutical product before commencing production and/or sale of such product. See the section headed "Appendix VII — Summary of Principal Legal & Regulatory Provisions" in this prospectus for additional information. These licenses and permits are subject to renewal and periodic reassessment by the relevant PRC government authorities from time to time. For example, Beijing Sihuan's drug production license is due for renewal by 31 December 2013. In addition, the standards of compliance required in relation to renewal and periodic reassessment may change. Our existing licenses and permits may also be suspended or revoked or we may not be able to renew our existing licenses and permits due to various reasons, some of which may be beyond our control, including our failure to satisfy any licensing requirements or the standards imposed by the relevant authorities for the issue of such licenses, or if our products cause harmful effects to end-users or fail to comply with the registered prescription. Any suspension or revocation of, or failure to renew, our existing licenses and permits could cause disruption to our business or prevent us from continuing to carry on our business.

Furthermore, any changes in compliance standards, or any new laws or regulations may prohibit us from conducting, or render it more restrictive for us to conduct, our business or may increase our compliance costs, which may have a material adverse effect on our results of operations.

Our products are subject to price controls and we do not have full discretion over the pricing of such products

Pharmaceutical products that are included in the National or Provincial Medical Catalogues are subject to price control in the form of fixed retail prices or maximum retail prices. Substantially all of our products are included in the National or Provincial Medical Catalogues and therefore subject to such price controls. Sales of products subject to retail price controls accounted for 93.8%, 86.8%, 81.5% and 80.6% of our total revenue in 2007, 2008, 2009 and the six months ended 30 June 2010, respectively. There have not been material changes to the maximum retail prices of our major products during the Track Record Period. We generate substantially all of our revenue from the sale of our products at wholesale prices to distributors, who in turn sell them to hospitals, medical institutions and other distributors. The PRC government authorities do not impose restrictions over the wholesale prices at which pharmaceutical manufacturers, such as ourselves, sell products to distributors. However, controls over and adjustments to the maximum retail price of a pharmaceutical product, if significant, could have a corresponding impact on the wholesale price of that pharmaceutical product. On 1 July 2010, the NDRC issued a notice (Fagaidian [2010] No. 253) with regard to a survey of certain pharmaceutical products' wholesale prices and the operations of the relevant pharmaceutical manufacturers. The purpose of the survey is to understand the pricing structure of the selected

pharmaceutical products, which may lead to further adjustment of the pharmaceutical products' retail prices based on the result of the survey. Four of our products were included in the scope of this survey. They collectively contributed 57.9% of our total revenue in 2009. Although we do not expect significant adjustment to the maximum retail prices of these products as a result of the survey, there is no assurance that downward adjustment to the maximum retail prices of these products, which may have an indirect impact on our revenue, will not happen. In the event that the cost of manufacturing or distributing our products increases and we are not able to pass such increased costs to our distributor as a result of the price control, our results of operations could be adversely affected. In addition, in the event of a significant downward adjustment of retail prices, there is no assurance that our distributors will not attempt to renegotiate the terms of their respective distribution agreements with us, and we may experience downward pressure on our wholesale prices which may have a material adverse effect on our results of operations. See the section headed "Appendix VII — Summary of Principal Legal and Regulatory Provisions — Price Control" in this prospectus for additional information.

In addition, some of our products listed on the National Medicine Catalogue or the Provincial Medicine Catalogue are subject to limitation on the scope of reimbursement such as the type of diseases or insurance that the patients may claim for. Subject to adjustment by the relevant provincial regulators, if the scope of reimbursement is further limited by the types of diseases or insurance that the patients may claim for, it may affect the demand of our products that are subject to such limitation and subsequently affect the sales volume and retail prices of such products.

We may not always be successful in winning bids to supply our products to public hospitals and other public healthcare institutions in the PRC

According to the relevant laws and regulations of the PRC, public hospitals and other public healthcare institutions are required to purchase substantially all pharmaceutical products through a collective tender process, which is operated and organised by the provincial and city government agencies. Only pharmaceutical products that are selected in the collective tender processes may be purchased by these hospitals and healthcare institutions. The collective tender process for pharmaceutical products is typically conducted every year. Pharmaceutical products that have previously been selected in the collective tender processes must participate and win in the collective tender processes in the subsequent year before new purchase orders can be issued. Factors considered in assessing bids include, among other things, the quality and price of the products and the service and reputation of the manufacturers. There is no assurance that we will always be successful in winning bids in the collective tender process to supply our products to public hospitals and other public healthcare institutions. If we fail to win such bids, we will not be qualified to sell the affected pharmaceutical products to the hospitals in the relevant province or city and our results of operations may be materially and adversely affected.

The PRC pharmaceutical industry is competitive

The PRC pharmaceutical industry is competitive. We face competition from other pharmaceutical companies, including multinational companies as well as manufacturers of traditional Chinese medicines with similar curative effects that can be used as substitutes for our products. See the section headed "Business — Competition" in this prospectus for additional information. Our competitors may have greater financial, technical and research and development, manufacturing, marketing and other

resources than we do. Our competitors may develop products that are similar or superior to ours. Furthermore, industry reforms aimed to meet World Trade Organization requirements have fostered increased competition from multinational pharmaceutical companies. Such competitors may have greater brand name recognition, more established distribution networks, larger customer bases or more extensive knowledge of our target markets. Our competitors' greater size in some cases provides them with a competitive advantage with respect to manufacturing costs because they are able to achieve greater economies of scale and are able to purchase APIs or raw materials at lower prices. As a result, they may be able to devote greater resources to the research, development, promotion and sale of their products or respond more quickly to evolving industry standards and changes in market conditions than we can. In addition, certain of our competitors may adopt low-margin sales strategies and compete against us based on lower prices. There is no assurance that hospitals and medical institutions will continue to stock and prescribe our products over those of our competitors and there are no contractual restrictions preventing our distributor and sales representative from selling or promoting our competitors' products as long as such product do not compete with our products. Failure to adapt to changing market conditions and to compete successfully with existing or new competitors may have a material adverse effect on our financial condition and results of operations.

Furthermore, competition is likely to intensify if:

- the number of manufacturers or distributors of substitute or similar products increases;
- competitors drastically reduce prices due to oversupply of products; or
- 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 and have prices comparable to or lower than our products.

For example, during the Track Record Period, several of our anti-infective drugs, namely Kanglixin, Xiboao, Aolang and Anjiejian, experienced decreases in their wholesale prices between 3.9% to 14.2%. The price decreases of these anti-infective drugs were mainly caused by intense competition among the pharmaceutical manufacturers in the anti-infective drugs market in the PRC.

In addition, to increase sales, certain manufacturers or distributors of pharmaceuticals may engage in questionable practices, such as offering kickback payments, bribes or other illegal gains or benefits, in order to influence procurement decisions of customers and we may lose sales, customers or contracts to competitors that engage in such practices as a result.

There is no assurance that our products will continue to be, or new products developed by us will be, listed in the National Medicine Catalogue and the Provincial Medicine Catalogue

Patients purchasing pharmaceutical products that are listed in the National Medicine Catalogue or the Provincial Medicine Catalogue are eligible for full or partial reimbursement under national and provincial medical insurance programs. As such, pharmaceutical products that are listed in the National Medicine Catalogue and the Provincial Medicine Catalogue are generally more affordable to patients than products that are not listed.

The PRC state and provincial authorities review the National Medicine Catalogue and the Provincial Medicine Catalogues periodically and may remove a listed product based on various factors, including treatment requirements, frequency of use, efficacy and price. In addition, a patient

can only be reimbursed for the full or partial cost of a product if it has been prescribed to the patient for purposes listed in the National Medicine Catalogue or Provincial Medicine Catalogue. There is no assurance that the PRC state and government authorities will not change the listed uses for, or place any other restrictions on, the products listed in the National Medicine Catalogue or Provincial Medicine Catalogue. See the section headed "Appendix VII — Summary of Principal Legal and Regulatory Provisions — Regulation of the Pharmaceutical Industry in the PRC — National Medicine Catalogue" in this prospectus for additional information. As of 30 June 2010, eight of our products are listed in the Provincial Medicine Catalogue and 31 of our products are listed in the National Medicine Catalogues. There is no assurance that our products will continue to be, or new products developed by us will be, listed in the National Medicine Catalogue or the Provincial Medicine Catalogue. Any removal from, changes in uses of or restrictions on our products listed in the National Medicine Catalogue or Provincial Medicine Catalogue would reduce the affordability of our products and may change the public perception of our products with regards to their efficacy, safety and reliability, either of which would adversely affect the sales of such products. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

RISKS RELATING TO THE PRC

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

The PRC legal system is a civil law system based on written statutes. Unlike in the common law system, prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in the PRC. We conduct all of our business through our subsidiaries established in the PRC. These subsidiaries are generally subject to laws and regulations applicable to foreign investment in the PRC and, in particular, laws applicable to wholly foreign-owned enterprises. In addition, our offshore holding companies and certain transactions between them may be subject to various PRC laws and regulations. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform, and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us and could subject us to unexpected liabilities. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into with our business partners, customers and suppliers. In addition, such uncertainties, including the inability to enforce our contracts, could have a material adverse effect on our operations. Furthermore, intellectual property rights and confidentiality protections in the PRC may not be as effective as in other countries. Accordingly, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to the PRC pharmaceutical industry, including the promulgation of new laws, changes to existing laws

or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

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, financial condition and results of operations

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 emphasising 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 state-owned. The PRC government also 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, financial conditions and results of operations could be adversely impacted by changes in economic, political, legal and social developments and conditions in the PRC and the policies adopted by the PRC government, such as changes in laws and regulations (or the interpretation thereof).

Our financial condition and results of operations could also be adversely affected by changes in measures introduced to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion, the imposition of additional import restrictions and other state-driven changes. Moreover, although the PRC 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 the PRC's economic growth or a decline in its economic condition may have a material adverse effect on our business, financial condition and results of operations.

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

Under the PRC EIT Law, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and are generally subject to a uniform 25% enterprise income tax rate on their worldwide income. Under the supplementary rules for the PRC EIT Law, "de facto management bodies" is defined as bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Substantially all of our management is currently based in the PRC, and may remain in the PRC. Therefore, we may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. If we are deemed as a PRC resident enterprise, we will be subject to PRC enterprise income tax at the rate of 25% on our worldwide income. In that case, however, dividend income we receive from our

PRC subsidiaries may be exempt from PRC enterprise income tax because the PRC EIT Law and its implementation rules generally provide that dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise is exempt from enterprise income tax. However, as there is still uncertainty as to how the PRC EIT Law and its implementation rules will be interpreted and implemented, we cannot assure you that we are eligible for such PRC enterprise income tax exemptions or reductions.

We may be affected by the changes in or cessation of income tax incentives and financial subsidies

Under the PRC EIT Law, which became effective on 1 January 2008, enterprises in the PRC are generally subject to a uniform 25% enterprise income tax rate on their worldwide income. See the section headed "Appendix VI — Taxation — PRC Taxation" in this prospectus for additional information. Certain of our PRC subsidiaries are entitled to preferential tax rates under the PRC EIT Law. There is no assurance that these preferential enterprise income tax rates will continue to apply to any of our PRC subsidiaries.

Other preferential policies that have been implemented for certain high-tech enterprises in Hainan include various levels of rebates depending on the amount of value-added tax and income tax paid. These tax incentives are given at the discretion of the applicable government authorities and there is no assurance that any of our PRC subsidiaries will continue to enjoy such tax incentives or that such tax incentives will not expire in the near future. Any removal, loss, suspension or reduction of such tax incentives or other tax benefit or relief will have a material adverse effect on our financial condition and results of operations. Furthermore, any future increase in the enterprise income tax rate applicable to our PRC operating subsidiaries or other adverse tax treatments, such as the discontinuation of preferential tax treatments, would have a material adverse effect on our financial condition and results of operations.

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

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

Dividends from PRC subsidiaries may become subject to PRC taxes

We were incorporated in Bermuda and substantially all of our income is derived from dividends that we receive from our PRC subsidiaries. Before the PRC EIT Law came into effect, dividends derived from our business operations in the PRC were not subject to income tax under PRC laws.

Under the PRC EIT Law, dividends payable to foreign investors that are "derived from sources within the PRC" may be subject to income tax at the rate of 10% by way of withholding, unless otherwise reduced through agreements between the PRC government and the government of other countries or regions.

Under the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) (the "**PRC-HK Tax Agreement**") effective 8 December 2006, the withholding tax rate for dividends paid by a PRC resident enterprise is 5% if the Hong Kong enterprise owns at least 25% of the capital of the PRC enterprise; otherwise, the dividend withholding tax rate is 10%. According to the Notice of the PRC State Administration of Taxation (the "**SAT**") on Issues relating to the Administration of the Dividend Provision in Tax Treaties (國家税務總局關於執行税收協定股息條款有關問題的通知) promulgated on 20 February 2009, the corporate recipient of dividends distributed by PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends. The SAT issued the Administrative Measures for Non-residents to Enjoy Treatments under Tax Treaties — For Trial Implementation (非居民享受税收協定待遇管理辦法(試行)) on 24 August 2009 and the Notice on How to Understand and Identity the Owner of Benefits in the PRC-HK Tax Agreement (國家税務總局關於如何理解和認定税收協定中"受益所有人"的通知) on 27 October 2009. Pursuant to these regulations, non-residents are required to obtain approval from the competent tax authorities in order to enjoy the favourable treatments under the treaties. However, if a company is deemed to be a pass-through entity rather than a qualified owner of benefits, it cannot enjoy the favourable tax treatments provided in the PRC-HK Tax Agreement. In addition, if transactions or arrangements are deemed by the relevant tax authorities to be entered into mainly for the purpose of enjoying favourable tax treatments under the PRC-HK Tax Arrangement, such favourable tax treatments may be subject to adjustment by the relevant tax authorities in the future.

Certain of our PRC subsidiaries have underpaid their contributions to employee housing provident funds

Under applicable PRC laws, our PRC subsidiaries are required to contribute housing provident funds for their employees. Due to the relatively high mobility of our workers and as a result of the levels and status of social benefits varying from region to region in the PRC, it is difficult for us to design and implement a comprehensive system to properly manage the payment of the housing provident funds to all of our employees. As a result, certain of our PRC subsidiaries have underpaid their contributions to employee housing provident funds. According to the Interim Regulations on the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例), such PRC subsidiaries may be required to make up the underpaid portion of the housing provident funds. We believe that, as of and for the year ended 31 December 2009, the aggregate amount of the underpaid housing provident funds will not exceed RMB1.1 million, for which a provision of the same amount has been made.

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

The M&A Provisions, issued by six PRC ministries and effective from 8 September 2006, govern the purchase, by foreign investors, of equity or assets of a domestic non-foreign-invested enterprise

or the subscription to the increased capital of a domestic non-foreign-invested enterprise, which result in the domestic non-foreign-invested enterprise being converted into a foreign-invested enterprise upon completion of such acquisition or investment. The M&A Provisions stipulate that the business scope upon acquisition of domestic enterprises must conform to the Foreign Investment Catalogue jointly issued by the NDRC and the MOFCOM, which broadly categorises foreign investment activities into encouraged, restricted and prohibited activities and are subject to updates from time to time. The M&A Provisions also provide for takeover procedures for the acquisition of equity interests in domestic enterprises. See the section headed "Appendix VII — Summary of Principal Legal and Regulatory Provisions — Regulation of Foreign Investment — Foreign Investment Catalogue" in this prospectus for additional information.

There are uncertainties in relation to the interpretation and implementation of the M&A Provisions. If we decide to acquire a PRC company in the future, we cannot assure you that we 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 have a material adverse effect on our future growth.

The implementation of the PRC Labour Contract Law, its implementation regulation and other labour-related regulations may increase our operating expenses

The PRC Labour Contract Law became effective and was implemented on 1 January 2008. This new law and its implementing rules reinforce protection for employees who, under the existing PRC Labour Law, have certain rights under the terms of their employment such as the rights to (i) sign written employment contracts; (ii) receive overtime wages; and (iii) terminate and alter their employment contracts. In addition, the PRC Labour Contract Law and its implementing rules have amended certain aspects of the existing PRC Labour Law which, as a result, may increase labour cost in the PRC. As the PRC Labour Contract Law, and its implementation regulation have been enforced for only a very short time, substantial uncertainty remains as to its potential impact on our business, financial condition and results of operations. The implementation of the PRC Labour Contract Law and its implementation regulation may increase our operating expenses, in particular our human resources costs and our administrative expenses. In the event that we decide to modify our employment or labour policy or practice significantly, or reduce the number of our staff, the PRC Labour Contract Law may limit our ability to implement the modifications or changes in the manner that we believe to be most cost-efficient or otherwise desirable, which could have an adverse effect on our business, financial condition and results of operations.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have continuously worked for more than one year are entitled to paid holidays ranging from five to 15 days, depending on the employee's length of service. Employees who agree to waive their holiday time at the request of their employers must be compensated with three times their normal daily salaries for each holiday waived. As a result of these laws, rules and regulations, our labour costs have increased. There is no assurance that there will not be additional or new labour laws, rules and regulations introduced in the PRC, which could lead to further increases in our labour costs and future disputes with our employees. In the event there are any employee-related disputes, work stoppages or strikes, we may experience an interruption to our business, which could adversely affect our business, financial condition and results of operations.

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 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 under 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 exchanged 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 its 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, which could have a material adverse effect on our business and results of operations.

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 RMB 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 SAFE by complying with certain procedural requirements. There can be no assurance that these foreign exchange regulations regarding payments of current account items will continue in the future. In addition, strict foreign exchanges control continues to apply to capital account transactions, which must be approved by or registered with SAFE. The repayment of loans, direct capital investments and investments in negotiable instruments are also subject to restrictions. 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 its ability to distribute dividends in respect of the Shares could be adversely affected.

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

As an offshore holding company of our PRC subsidiaries, our Company may make loans to our PRC subsidiaries, or additional capital contributions to our PRC subsidiaries by utilising the proceeds we receive from the Global Offering. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly-owned PRC subsidiaries cannot exceed statutory limits and must be registered with the SAFE or its local branches. We may also decide to

finance our PRC subsidiaries through capital contributions. According to the relevant PRC regulations on foreign-invested enterprises, depending on the amount of total investment and the type of business in which a foreign-invested enterprise is engaged in, capital contributions to foreign-invested enterprises in China are subject to approval by the MOFCOM or its local branches. There is no assurance that we will be able to obtain required government registrations or approvals on a timely basis, if at all, with respect to our future loans or capital contributions to our PRC subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds received from the Global Offering and to fund our PRC operations may be negatively affected, which may have a material adverse effect on our liquidity and ability to expand our business.

Failure to comply with the SAFE regulations relating to the establishment of special purpose vehicles by our beneficial owners may have a material adverse effect on our business operations, limit our ability to inject capital into our PRC subsidiaries, limit the ability of our PRC subsidiaries to distribute profits to us or subject us to fines

The SAFE Notice on SPVs, which became effective on 1 November 2005, requires PRC residents to register or file with the local SAFE branch in the following circumstances: (a) before establishing or controlling any company (referred to in the notice as a "special purpose vehicle") outside the PRC for the purpose of capital financing based on its assets or interests in China; (b) after contributing their assets or equity interest of a domestic enterprise into overseas special purpose vehicles, or raising funds overseas after such contributions; and (c) after any major change in the share capital of the special purpose vehicles without any round-trip investment being made. See the section headed "Appendix VII — Summary of Principal Legal and Regulatory Provisions — Regulations Regarding Foreign Investment and Overseas Listing — Laws and Regulations in Relation to Foreign Exchange" in this prospectus for additional information.

Some of our Company's beneficial owners, namely Dr. Che, Dr. Guo, Mr. Meng, Dr. Zhang and Mr. Huang, are PRC residents and have informed us that they have registered with the relevant local SAFE branch in respect of their investment in our Group. Going forward, such beneficial owners are required to comply with further foreign exchange registration requirements in connection with our investments and financing activities. If we or our PRC-resident beneficial owners fail to comply with the relevant SAFE requirements, we or such beneficial owners may be subjected to fines and legal sanctions, our ability to inject capital into our PRC subsidiaries may become restricted or the ability of our PRC subsidiaries to distribute profits to us to repay foreign loans or make other outbound payments may become limited. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Fluctuations in the exchange rates of the RMB may adversely affect our results of operations and financial condition, as well as 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 U.S. dollars, was based on rates set by the PBOC, which were generally 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 U.S. dollars by approximately 2.0% on the same date. On 23 September 2005, the PRC government widened the daily trading band for RMB against non-U.S. 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. For example, there is legislation pending in the US Congress that seeks trade sanctions against the PRC if it does not let the RMB appreciate against the U.S. dollar. The US Treasury delayed a scheduled April 2010 report to Congress that many US lawmakers had hoped would name the PRC as a "currency manipulator." The PRC pledged to pursue currency reform at a recent meeting between PRC and US government officials and it intends to further promote the reform of the foreign exchange rate mechanism and increase the flexibility of its currency exchange rate. Notwithstanding the PRC pronouncements, the U.S. House of Representatives recently passed a bill that allows U.S. companies to request a countervailing duty on imports from China in order to compensate for the price advantage perceived to be the result of an undervalued RMB. As a result of these and other developments, the RMB may be re-valued further against the U.S. 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 U.S. dollar or other currencies. It is uncertain if the exchange rates of Hong Kong and U.S. dollars against RMB will further fluctuate. Any appreciation of the RMB may subject us to increased competition from imported pharmaceutical products. In addition, because our revenues are denominated in RMB, any depreciation of RMB would adversely affect our financial position and the value of, and any dividends payable on, the Shares in foreign currency terms, as well as our ability to service any of our foreign currency obligations.

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

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

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

Our Company is organised under the laws of Bermuda, and its subsidiaries are organised under the laws of the PRC. Substantially all of our assets are located within the PRC. In addition, most of our Directors and officers are residents of the PRC, and their assets may also be located in the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts in most jurisdictions. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative

Region Pursuant to Choice of Court Agreements Between Parties Concerned (the "**Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets, senior management members or Directors in the PRC in order to seek recognition and enforcement for foreign judgments in the PRC.

The PRC is one of the signatories to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"), which allows for the enforcement of arbitral awards given by the arbitration bodies of other New York Convention signatories. Following the resumption of sovereignty over Hong Kong by the PRC on 1 July 1997, the New York Convention is no longer applicable for the enforcement of arbitral awards of Hong Kong in other parts of the PRC. As a result, a memorandum of understanding (the "**Memorandum of Understanding**") was signed on 21 June 1999 to permit reciprocal enforcement of arbitral awards between Hong Kong and the PRC. The Memorandum of Understanding was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council and became effective on 1 February 2000. It may be difficult to seek recognition and enforcement of arbitral awards in the PRC if the arbitral awards were given by arbitration bodies that are not signatories to the New York Convention and do not have similar arrangements as under the Memorandum of Understanding between Hong Kong and the PRC.

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

Our Company is a holding company incorporated under the laws of Bermuda with limited liability. All of our business operations are conducted through our subsidiaries in the PRC. Our Company's ability to pay dividends to its Shareholders is dependent upon the earnings of its subsidiaries in the PRC and their distribution of funds to our Company, primarily in the form of dividends. The ability of the subsidiaries in the PRC to make distributions to our Company depends upon, among other things, their distributable earnings. Under the PRC law, payment of dividends is only permitted out of accumulated profits according to PRC accounting standards and regulations, and subsidiaries in the PRC are also required to set aside part of their after-tax profits to fund certain reserve funds that are not distributable as cash dividends. Other factors such as cash flow conditions, restrictions on distributions contained in the PRC subsidiaries' articles of associations, restrictions contained in any debt instruments, withholding tax and other arrangements will also affect the ability of the subsidiaries in the PRC to make distributions to our Company. These restrictions could reduce the amount of distributions that our Company receives from its subsidiaries in the PRC, which in turn would restrict its ability to pay dividends on the Shares.

RISKS RELATING TO THIS GLOBAL OFFERING

Future sale of the Shares or major divestment of Shares by any major Shareholder may have an adverse effect on our Share price

Any future sale or availability of the Shares can have an adverse effect on the Share price. The sale of a significant amount of Shares in the public market after the Global Offering, or the perception that such sales may occur, could adversely affect the market price of Shares. Except as otherwise described in the paragraph headed "Lock up" under the section headed "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering" in this prospectus, there are no restrictions imposed on the Controlling Shareholders to dispose of their shareholdings. Any major disposal of Shares by any of the major Shareholders (including, for example, any possible disposal by Plenty Gold to fund its commitments under the Repurchase Agreement (See the section headed "History, Reorganisation and Corporate Structure — History and Development — Further changes in share structure" in this prospectus)) after the expiry of six months after Listing may cause the market price of the Shares to fall. Between the seventh and twelfth months after Listing, the Controlling Shareholders may not dispose of their Shares to the extent that would cause them to cease to be "controlling shareholders" under the Listing Rules. 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.

The Share price may fluctuate, which could result in substantial losses for investors purchasing Shares in the Global Offering

Following the Global Offering, the market price of the Shares could be subject to significant fluctuations due to various external factors and events as a result of, among others, the following factors, some of which are beyond our control:

- the liquidity of the Shares in the market;
- difference between our actual financial or operating results and those expected by investors and analysts;
- changes in securities analysts' estimates of our financial performance;
- investors' perceptions of our Group and the general investment environment;
- announcements by us of significant acquisitions, strategic alliances or joint ventures;
- fluctuations in stock market prices and volume;
- changes in pricing policies adopted by us or our competitors;
- additions or departures of key personnel;
- 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; and
- general political, economic, financial, social development and stock market conditions.

In recent years, stock markets in general, and the shares of companies with substantial operations in the PRC 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 the Shares.

We may not declare dividends in the future

During the three years ended 31 December 2007, 2008 and 2009, our Company declared dividends amounting to approximately RMB nil, RMB60.7 million and RMB120.0 million, respectively. 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. 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 other things, our earnings, financial condition, cash requirements, our profit, provisions governing the declaration and distribution as contained in our Memorandum of Association and Bye-Laws, applicable law and other relevant factors.

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

There has been no public market in Hong Kong for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between us and the Underwriters, and the Offer Price may differ significantly from the market price of the Shares following this Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, that it will be sustained following this offering, or that the market price of the Shares will not decline following this offering. In addition, the trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including, but not limited to:

- variations in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments in the PRC affecting us, our customers or our competitors;
- developments in the pharmaceutical industry;

- investors' perception of us and of the investment environment in Asia, including Hong Kong and the PRC;
- changes in pricing made by us or our competitors;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for our Shares;
- addition or departure of our key personnel;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sales or perceived sales of additional Shares; and
- the general economy and other factors.

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

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

Our Controlling Shareholders, Dr. Che, Dr. Guo, Mr. Meng, Dr. Zhang and Mr. Huang will, upon the completion of the Global Offering, continue to beneficially own in aggregate a substantial percentage of our Company's share capital. See the section headed "Relationship with Controlling Shareholders" in this prospectus for additional information. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group that would otherwise benefit our Shareholders. The interests of the Controlling Shareholders may not always coincide with our Company or your best interests. If the interests of the Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if the Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

New investors will incur immediate dilution and may experience further dilution

The Offer Price is substantially higher than our audited net asset value per Share based on our issued share capital after the completion of this Global Offering. If we were liquidated for net asset value immediately following the Global Offering, each Shareholder subscribing to the Global Offering would receive less than the price they paid for their Shares. If the Underwriters exercise the Over-Allotment Option, holders of the 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 the Shares may experience dilution in the net asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net asset value per Share.

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

Facts, forecasts and other statistics in this prospectus relating to the PRC, the PRC economy and the PRC pharmaceutical industry have been derived from various sources including those provided by IMS and government publication. Such information has not been prepared or independently verified by us, the Sponsors, 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 statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this prospectus, terminology such as "anticipate," "believe," "expect," "estimate," "plan", "consider", "would", "may," "ought to," "should", "prospects," "going forward", "intend", "aim", "is/are likely to", "will" or similar expressions, as they relate to us or our business, are intended to identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources, and reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the following:

- our ability to enhance existing products and develop, obtain government approvals for, and market future generations of our existing products and other new products;
- our ability to expand our production, sales and distribution network and other aspects of our operations;
- our ability to diversify our product range;
- our ability to identify and acquire new medical technologies, pharmaceutical products and product candidates;
- our ability to reduce costs;
- market acceptance of our products;
- hospital or patient demand for our products;
- market growth for pharmaceutical products in the PRC;

- our ability to effectively protect our intellectual property;
- competition from other domestic and foreign pharmaceutical companies;
- changes in the healthcare industry in the PRC, including changes in the healthcare policies and regulations of the PRC government and changes in the healthcare insurance sector in the PRC; and
- fluctuations in general economic and business conditions in the PRC.

Purchasers 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 risks and uncertainties in this regard include, but are not limited to, those identified in this "Risk Factors" section, many of which are not within our control. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans and objectives will be achieved and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise.

Should one or more of these risks or uncertainties materialise, or should any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. 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 read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering, including, in particular, any projections, valuations or other forward-looking information

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering. For example, on 21 September 2010, the South China Morning Post published an article which contained, among other things, certain financial information, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us or the Global Offering, or of any assumptions underlying such projections, valuations or other forward-looking information included in or referred to by the press articles or other media. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and not to rely on any other information.

In preparation for Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

I. MANAGEMENT PRESENCE

Under Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Given that substantially all of our business operations and management are located in the PRC, we consider that it will be unduly burdensome for us to maintain management presence in Hong Kong in order to comply with the requirements under Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, and the waiver has been granted by the Stock Exchange.

We have put in place the following measures to maintain regular communication with the Stock Exchange:

(a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorised representatives are Mr. Eddy Huang, a non-executive Director, and Mr. Ngai Wai Fung, one of our joint company secretaries. Each of the authorised representatives will be readily contactable by telephone, facsimile or email. Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;

(b) each of the authorised representatives has means to contact all members of our Board (including the independent non-executive Directors) and the senior management team promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. To enhance the communication between the Stock Exchange/the authorised representatives and the Directors, we will implement a policy that (a) all Directors will have to provide their respective mobile phone numbers, office phone numbers and fax numbers and email addresses, if applicable, to the Stock Exchange, the authorised representatives; and (b) in the event that a Director expects to travel and be out of office, he will have to provide the phone number of the place of his accommodation to the authorised representatives. We will promptly notify the Stock Exchange and our compliance advisor should there be any change to the contact information of our authorised representatives, Directors and/or their respective alternates;

(c) each of the Directors of the Company (including the independent non-executive Directors) who are not ordinarily resident in Hong Kong has confirmed that he/she currently holds, has applied or will apply for valid travel documents to visit Hong Kong for business purpose and would be able to come to Hong Kong and meet the Stock Exchange within a reasonable period of time, when required; and

(d) we have appointed Daiwa Capital as our compliance adviser under Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we distribute our annual report for the first full financial year after the Listing Date to provide us with professional advice on continuing obligations under the Listing Rules and to act as the alternative channel of communication with the Stock Exchange.

II. QUALIFICATION OF JOINT COMPANY SECRETARIES

Under Rule 8.17 of the Listing Rules, the company secretary of the issuer must be a person who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) an ordinary member of The Hong Kong Institute of Chartered Secretaries, a solicitor or barrister or a professional accountant, or (ii) an individual who, by virtue of his academic or professional qualifications or relevant experience, is in the opinion of the Stock Exchange capable of discharging those functions.

Although Mr. Choi Yiau Chong is not ordinarily resident in Hong Kong and does not possess the qualification required under Rule 8.17 of the Listing Rules, he is appointed by the Company as one of the joint company secretaries due to his experience in business management and thorough understanding of the business operations of the Group. Accordingly, we have applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.17 of the Listing Rules and the waiver has been granted by the Stock Exchange.

In support of the waiver application, our Company has appointed:

(i) Mr. Ngai Wai Fung as the other joint company secretary for a period of three years commencing on the Listing Date (the "**Engagement Period**"). Mr. Ngai is ordinarily resident in Hong Kong and possesses the qualifications required under Rule 8.17 of the Listing Rules. Apart from discharging his functions in his role as one of the joint company secretaries, Mr. Ngai will ensure that he will be available to provide assistance and on-the-job training to Mr. Choi to enable him to acquire the relevant company-secretary-related experience (required under Rule 8.17(3) of the Listing Rules) and to enhance and improve his knowledge and familiarity with the requirements of the Listing Rules. In addition, our Company will on a regular basis provide in-house training courses for Mr. Choi and/or arrange for Mr. Choi to attend external seminars on related topics.

(ii) Mr. Eddy Huang and Mr. Ngai Wai Fung will function as our authorised representatives under Rule 3.05 of the Listing Rules. They will act as our principal channel of communication with the Stock Exchange. Both Mr. Eddy Huang and Mr. Ngai are ordinarily residents in Hong Kong, while Mr. Ngai is one of our joint company secretaries and Mr. Eddy Huang is our non-executive Director. Both of them will be available to meet the Stock Exchange on reasonable notice as and when required and will be readily contactable by the Stock Exchange.

(iii) Daiwa Capital as our compliance adviser under Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we distribute our annual report for the first full financial year after the Listing Date who will provide us with professional advice on continuing obligations under the Listing Rules and act as an alternative channel of communication with the Stock Exchange.

The waiver granted is valid for an initial period of three years from the Listing Date. At the end of the three year period, our Company has to liaise with the Stock Exchange. The Stock Exchange will revisit the situation in the expectation that our Company should then be able to demonstrate to the Stock Exchange's satisfaction that Mr. Choi, having had the benefit of Mr. Ngai Wai Fung's assistance for three years, would have acquired the relevant experience within the meeting of Rule 8.17(3) so that a further waiver would not be necessary.

III. CONNECTED TRANSACTIONS

Our Group has entered into a non-fully exempted continuing connected transaction which would be subject to reporting and announcement requirements under Rule 14A.66 of the Listing Rules. Our Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the reporting and announcement requirements set forth in Rule 14A.66 of the Listing Rules for that relevant transaction. Further information on that connected transaction and the conditions of the waiver are set forth in the section headed "Connected Transactions" in this prospectus.

IV. DISCLOSURE OF PRE-ACQUISITION FINANCIAL INFORMATION OF MATERIAL BUSINESS

Our Group had acquired and subsequently disposed of 45% interest in Beijing Purenhong during the Track Record Period. We have applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with the disclosure requirements under Rule 4.05A of the Listing Rules. Further information on this acquisition and subsequent disposal and the conditions of the waiver are set forth in the section headed "History, Reorganisation and Corporate Structure — History and Development — Acquisition and subsequent disposal of 45% interest in 北京普仁鴻醫藥銷售有限公司 (Beijing Purenhong Pharmaceutical Co., Ltd.)" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable inquiries, 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.

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, the Joint Sponsors, the Joint Global Coordinators, the Underwriters or any of their respective directors, or any other person involved in this Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

UNDERWRITING

The Global Offering comprises the Hong Kong Public Offering of initially 125,000,000 Hong Kong Offer Shares and the International Offering of initially 1,125,000,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus and, in case of the International Offering, also to any exercise of the Over-Allotment Option.

This prospectus is published solely in connection with the Hong Kong Public Offering. The Sponsors are sponsoring the listing of our Shares on the Stock Exchange. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. One of the conditions is that we and the Joint Global Coordinators on behalf of the Underwriters have agreed on the Offer Price. The International Offering will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement.

We expect that the Offer Price will be fixed by agreement among us and the Joint Global Coordinators on behalf of the Underwriters on the Price Determination Date, which is expected to be on or around 20 October 2010 and in any event no later than 26 October 2010. If, for any reason, we and the Joint Global Coordinators on behalf of the Underwriters cannot agree on the Offer Price, the Global Offering will not proceed. For information about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" in this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-Allotment Option). We expect dealings in our Shares on the Stock Exchange to commence on 28 October 2010.

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 as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. You should seek advice from your stockbroker or other professional advisors for details of such settlement arrangements as such arrangements will affect your rights and interests.

We have made all necessary arrangements for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscription for, purchasing, holding or disposing of, and dealing in, our Shares (or exercising rights attaching to them) under the laws of Hong Kong and the place of your operations, domicile, residence, citizenship or incorporation. We emphasise that none of the Joint Global Coordinators, Joint Sponsors, Underwriters, us, any of our or their respective directors or any other person or party involved in the Global Offering accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchase, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered in our register of members to be maintained in Hong Kong. Dealings in our Offer Shares will be subject to Hong Kong stamp duty. For further details on Hong Kong stamp duty, see the section headed "Taxation — Hong Kong Taxation — Stamp duty" in Appendix VI to this prospectus.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangement relating to the Over-Allotment Option and stabilisation are set out under the section headed "Structure of the Global Offering — Over-Allotment and Stabilisation" in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

You may find the application procedures for our Hong Kong Offer Shares in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

You may find details of the structure of the Global Offering, including its conditions, in the section headed "Structure of the Global Offering" in this prospectus.

EXCHANGE RATE CONVERSION

For exchange rate translations throughout this prospectus, unless otherwise specified, we have used the PBOC Rates of HK$1.00 equaling RMB0.8617, being the PBOC Rate on 8 October 2010, the Latest Practicable Date. We make no representations and none should be construed as being made, that any of the Renminbi, H.K. dollar or U.S. dollar amounts contained in this prospectus could have been or could be converted into amounts of any other currency at any particular rate or at all on such date or any other date.

ROUNDING

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

DIRECTORS (upon Listing)

Name	Address	Nationality
Executive Directors		
Dr. Che Fengsheng (車馮升)	8A Yajingju Changxin Haijing Garden Changyi Road Haikou Hainan PRC	Chinese
Dr. Guo Weicheng (郭維城)	Room 621 Building No. 3 Linyuan Xiaoqu Nangang District Harbin Heilongjiang PRC	Chinese
Mr. Meng Xianhui (孟憲慧)	Room 101 Building No.703 Jingaojiayuan Chaoyang District Beijing PRC	Chinese
Non-executive Directors		
Dr. Zhang Jionglong (張炯龍)	A-1104 Jinghua Garden No. 1 Shangbao Road Shenzhen PRC	Chinese
Mr. Homer Sun (孫弘)	18 Shouson Hill Road Hong Kong	American
Mr. Eddy Huang	Flat 10A, 17 Conduit Road Cliffview Mansions Hong Kong	American

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Patrick Sun (辛定華)	Apartment A1-3/F Villa Monte Rosa 41A Stubbs Road Hong Kong	Chinese (Hong Kong)
Mr. Bai Huiliang (白慧良)	Room 1601 No. 8 Building Tai Yue Yuan, Haidian District Beijing PRC	Chinese
Mr. Xu Kangsen (徐康森)	Room 1105, 3/F No. 8 Yard Jiaomen North Road Fengtai District Beijing PRC	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Global Coordinators, Joint Bookrunners and Joint Sponsors	**Morgan Stanley Asia Limited** 46th Floor, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong **UBS AG, Hong Kong Branch** 52/F Two International Finance Centre 8 Finance Street Central, Hong Kong
Joint Lead Managers	**Morgan Stanley Asia Limited** 46th Floor, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong **UBS AG, Hong Kong Branch** 52/F Two International Finance Centre 8 Finance Street Central, Hong Kong **Daiwa Capital Markets Hong Kong Limited** Level 26, One Pacific Place 88 Queensway, Hong Kong

Sole Japan Placement Agent	**Daiwa Capital Markets Hong Kong Limited** Level 26, One Pacific Place 88 Queensway, Hong Kong
Reporting accountant	**PricewaterhouseCoopers** Certified Public Accountants 22nd Floor Prince's Building Central, Hong Kong
Legal advisors to our Company	*as to Hong Kong law* **Norton Rose Hong Kong** 38th Floor, Jardine House 1 Connaught Place Central, Hong Kong *as to US law* **Paul, Weiss, Rifkind, Wharton & Garrison** 12/F Hong Kong Club Building 3A Chater Road Central, Hong Kong *as to PRC law* **Haiwen & Partners** 21/F Beijing Silver Tower 2 Dong San Huan North Road Chaoyang District Beijing 100027 PRC *as to Bermuda law* **Conyers Dill & Pearman** 2901 One Exchange Square 8 Connaught Place Central, Hong Kong
Legal advisors to the Underwriters	*as to Hong Kong law and US law* **Shearman & Sterling** 12th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Central, Hong Kong *as to PRC law* **Commerce & Finance Law Offices** 6F NCI Tower A12 Jianguomenwai Avenue Beijing 100022 PRC

Property valuer	**Jones Lang LaSalle Sallmanns Limited** 17/F Dorset House Taikoo Place 919 King's Road Quarry Bay, Hong Kong
Receiving bankers	**Bank of China (Hong Kong) Limited** Bank of China Tower Branch 3/F, 1 Garden Road Hong Kong **Bank of Communications Co., Ltd. Hong Kong Branch** 20 Pedder Street Central, Hong Kong

Registered office	Clarendon House 2 Church Street P.O. Box HM1022 Hamilton HM DX Bermuda
Headquarters	**Haikou, Hainan** 27/F, Sky City International Tower No. 85 Binhai Avenue Haikou City Hainan, PRC, 570105
Other Principal Offices in the PRC	**Beijing** Sanjianfang Airport Yard Zhangjiawan Town Tongzhou District Beijing, PRC, 101114 **Shenzhen** Room BCD 25th Floor, Fortune Building No. 88 Fuhua Road Futian District Shenzhen, PRC, 518048 **Jinan** KBP BioSciences Co., Ltd. 2518 Tianchen Street Jinan Shandong, PRC, 250101
Principal place of business in Hong Kong	8th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Central, Hong Kong
Joint company secretaries	Mr. Ngai Wai Fung *(FCSCPE), FCIS, CPA, ACCA* Mr. Choi Yiau Chong
Authorised representatives	Mr. Eddy Huang Flat 10A, 17 Conduit Road Cliffview Mansions Hong Kong

	Mr. Ngai Wai Fung 8th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Central, Hong Kong
Audit committee	Mr. Patrick Sun (Chairman) Mr. Bai Huiliang Mr. Xu Kangsen Dr. Zhang Jionglong
Remuneration committee	Dr. Che Fengsheng (Chairman) Mr. Patrick Sun Mr. Bai Huiliang Mr. Xu Kangsen
Nomination committee	Dr. Guo Weicheng (Chairman) Mr. Patrick Sun Mr. Bai Huiliang Mr. Xu Kangsen
Compliance adviser	Daiwa Capital Markets Hong Kong Limited
Principal bankers	Industrial and Commercial Bank of China Limited (Haikou Shimao Sub-branch) 1st Floor, World Trade Centre Shimao East Road Jinmao District, Haikou, PRC Bank of Communications 1st Floor, Huachang Building 71 Guomao Avenue Haikou, Hainan, PRC
Principal share registrar	Codan Services Company Limited Clarendon House, PO Box HM 1022 Hamilton HM DX Bermuda
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

This section contains certain information and statistics concerning the PRC pharmaceutical industry. We have derived such information and statistics from the IMS Report, as well as publicly available sources. Our Company, the Joint Sponsors and other parties involved in this Global Offering have taken reasonable care in the extraction, compilation and reproduction of information and statistics from these sources and believe that the sources of this information are appropriate sources for such information and 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. However, none of our Company, the Joint Sponsors or any other parties involved in this Global Offering has independently verified the information and statistics derived directly or indirectly from the IMS Report or any publicly available sources and none of our Company, the Joint Sponsors or any other parties involved in this Global Offering make any representation as to their accuracy. Such information and statistics may not be consistent with other information and statistics compiled within or outside the PRC. You should not place undue reliance on such information and statistics contained in this section.

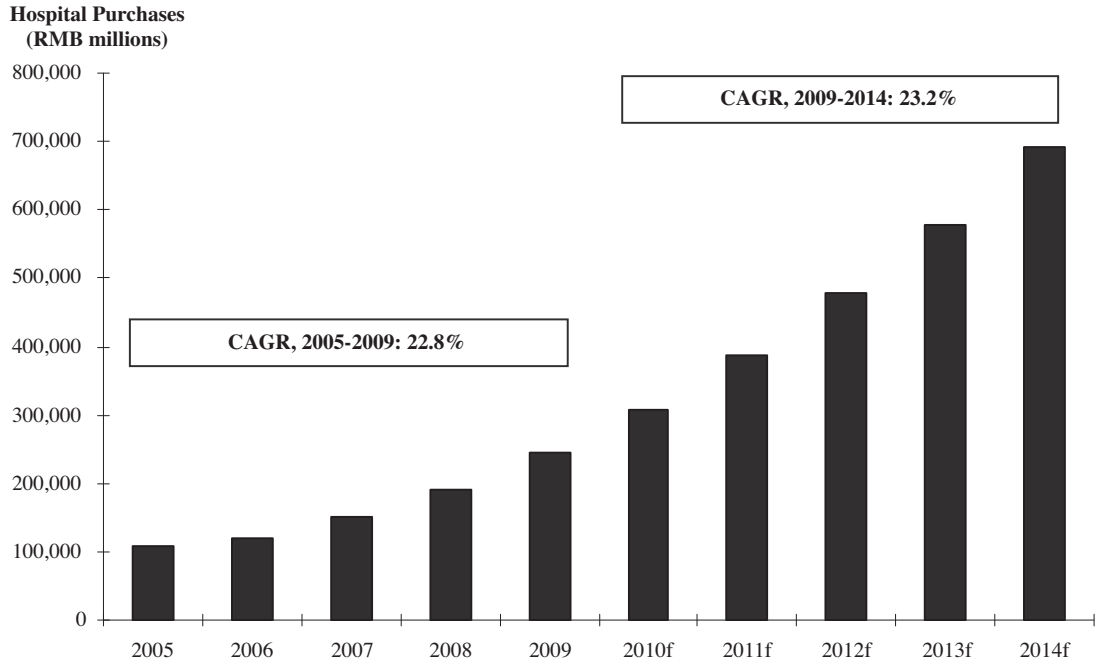
IMS is a provider of market intelligence to the pharmaceutical and healthcare industries. In relation to the Global Offering, we have commissioned IMS to prepare and compile certain information and data to form the IMS Report, which is primarily based on its proprietary database of information relating to purchases of western drugs by pharmacies of PRC urban hospitals with over 100 beds (referred to in this section as "hospital purchases"). According to IMS, information on hospital purchases is representative of the overall PRC pharmaceutical market and can be used as a reliable indicator of trends in the overall PRC pharmaceutical market. References in this section to market size, market share or market trends are based on hospital purchases, unless otherwise indicated. See also "— Information and Data Commissioned from IMS" for additional information. Any party who wishes to extract or reproduce any information or statistics from the IMS Report or extracts from it as presented in this prospectus shall obtain the prior written consent from IMS.

PHARMACEUTICAL MARKET IN THE PRC

Overview

The pharmaceutical market in the PRC has grown rapidly in recent years. According to IMS, the PRC pharmaceutical market grew from RMB107.2 billion in 2005 to RMB243.9 billion in 2009, representing a CAGR of 22.8%. Growth in the PRC pharmaceutical market has been partly driven by the favourable macro environment in terms of GDP growth and an increase in healthcare expenditure in the PRC. As a result of the increasing urbanisation, increasing disposable income and health awareness, aging population and the prevalence of chronic health problems, and government initiatives relating to the healthcare industry, the PRC pharmaceutical market is projected to continue to experience a significant growth rate in the future. IMS projects that the PRC pharmaceutical market will become the world's third largest pharmaceutical market by 2011, up from its number five ranking

in 2009, and that the size of the PRC pharmaceutical market will reach RMB691.3 billion by 2014, representing a CAGR of 23.2% from 2009 to 2014. The following chart shows the historical and projected size of the PRC pharmaceutical market from 2005 to 2014.



Source: IMS Report

General description of PRC pharmaceutical industry

Fragmentation of the PRC pharmaceutical industry

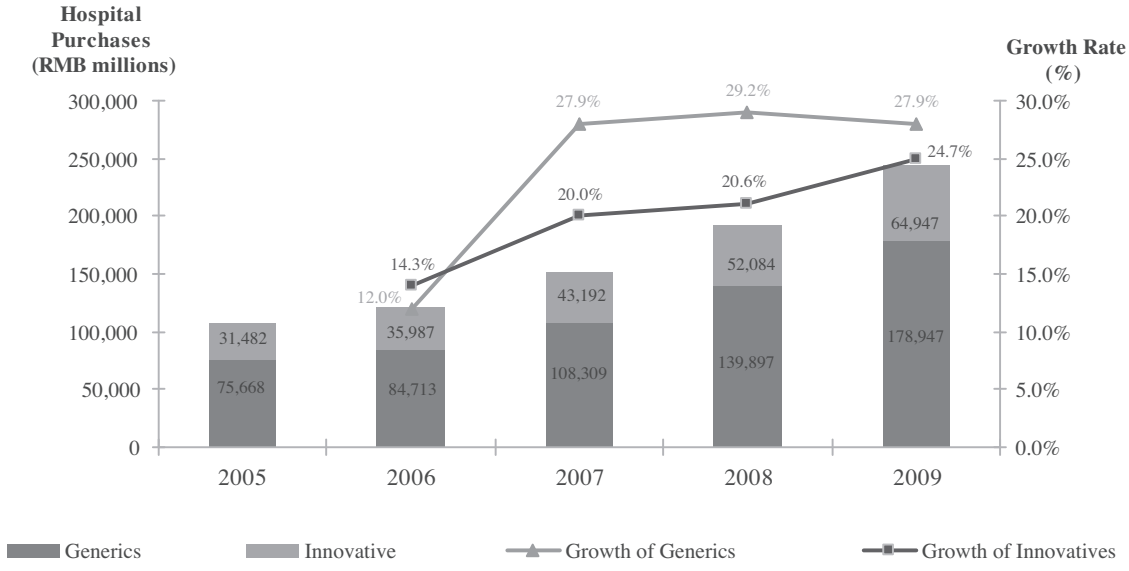
The pharmaceutical industry in the PRC is highly fragmented and competitive, with over 3,600 pharmaceutical manufacturers in 2009, according to IMS. Domestic pharmaceutical companies accounted for 87.4% of the total number of pharmaceutical companies in 2009 and multinational companies accounted for the remaining 12.6%. The top 20 pharmaceutical manufacturers accounted for only 24.7% of the total PRC pharmaceutical market, while the largest pharmaceutical manufacturer only accounted for 2.2%. As most local pharmaceutical manufacturers lack scale, nationwide sales capabilities and product breadth, we believe that pharmaceutical manufacturers with a well-developed nationwide distribution network, a strong existing portfolio of products and an effective strategy to expand their product portfolio through research and development capabilities or acquisition have the opportunity to consolidate and become industry leaders in the PRC. See the section headed "Business — Competition" in this prospectus for additional information on the competitive landscape of the PRC pharmaceutical industry.

Generic and innovative drugs

According to IMS, the pharmaceutical market in the PRC has been dominated by generic drugs, which refer to drugs that have the same active ingredients as and are considered equivalent to an innovative drug. Innovative drugs refer to drugs that have active ingredients that are new chemical or

biochemical entities. Innovative drugs only make up a small portion of the PRC pharmaceutical market. Most domestic pharmaceutical companies in the PRC manufacture and sell generic drugs, while drugs sold by multinational pharmaceutical companies are mostly innovative drugs, including those that have come off-patent. An innovative drug is generally referred to as the originator drug when generic drug equivalents become available.

Based on IMS data, since 2005, generic drugs have accounted for over 70% of the PRC pharmaceutical market, in terms of hospital purchases, and from 2005 to 2009, the generic drug market grew by a CAGR of 24.0%, outpacing the CAGR of 19.8% for the innovative drug market during the same period. The following chart shows the PRC pharmaceutical market broken down by generic drugs and innovative drugs from 2005 to 2009.



Source: IMS Report

Branded generic drugs

According to IMS, in the PRC, approximately 72% of generic drugs are marketed under specific brand names, rather than generic molecule names. Pharmaceutical companies that sell branded generic drugs generally offer sales and marketing support for their products. Branded generic drugs mainly compete on the basis of brand recognition, according to IMS. IMS predicts that most of the growth in the PRC pharmaceutical market will continue to come from branded generic drugs manufactured and sold by established local companies, although demand for innovative drugs from multinational companies has been increasing in the country's leading urban centres.

First-to-market generic drugs

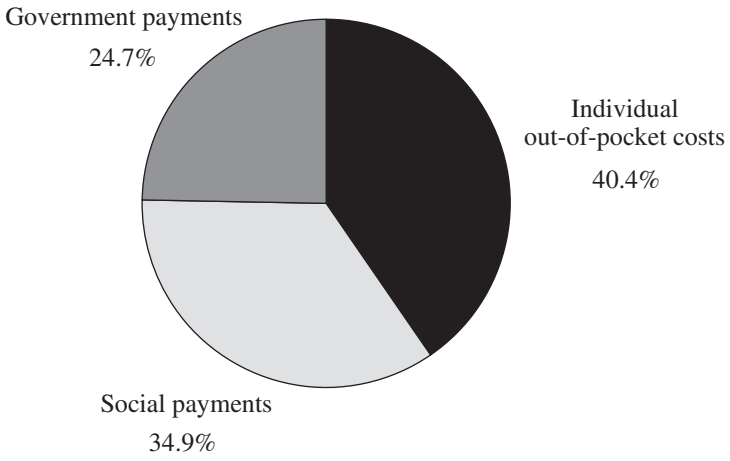
First-to-market generic drugs are entitled to patent or administrative protection in the PRC. Sales volume of first-to-market generic drugs in the PRC continue to grow and their prices either remain relatively stable or do not decrease significantly until many competing generic equivalents are introduced to the market. According to IMS, this lifecycle pattern can be partly explained by pricing

policy, medical insurance coverage and prescription practices in the PRC. The PRC government allows premium pricing for first-to-market generic drugs over other competing generic drugs to encourage innovation in the pharmaceutical industry and reimbursement under PRC medical insurance programs do not differentiate between first-to-market generic drugs and other competing generic drugs. These practices allow sales volume of first-to-market generic drugs in the PRC to continue to grow even after competing generic equivalents were introduced. Same lifecycle pattern applies to the innovative drugs in the PRC.

Payer mix

In 2008, PRC patients bore the highest portion of healthcare expenses, with out-of-pocket costs accounting for 40.4% of healthcare expenses, according to the MOH. The percentage of healthcare expenses borne by social payments (which we believe includes public medical insurance schemes, commercial medical insurance schemes and medical insurance benefits provided by employers) represented 34.9% of healthcare expenses. The remaining 24.7% was paid for by the government. According to the MOH, as the government payments and social payments accounted for an increasingly larger portion of the total healthcare expenditure, individual out-of-pocket costs as a percentage of healthcare expenses steadily decreased from a peak of 60.0% in 2001. Nonetheless, according to the WHO, the PRC had the highest out-of-pocket percentage of healthcare expenditure, among the top ten healthcare spending countries, in 2007. We believe the PRC government's initiative to expand public insurance coverage will further reduce individual out-of-pocket percentage of healthcare expenditure, to be more aligned with international standards, and reduce the out-of-pocket expenditure burden on patients.

The following chart illustrates the share of healthcare expenses paid for by individuals, social payments and the government in 2008.



Source: MOH

The following table illustrates the out-of-pocket percentage of healthcare expenditure of the top ten healthcare spending countries in 2007.

	2007
	Out-of-pocket % of healthcare expenditure
China	50.9%
Spain	21.0%
Italy	20.2%
Australia	18.0%
Japan	15.1%
Canada	14.9%
Germany	13.1%
USA	12.3%
United Kingdom	11.5%
France	6.8%

Source: WHO, World Health Statistics 2010

Hospital classifications

In the PRC, pharmaceutical products, especially prescription drugs, are mostly sold through hospitals. According to IMS, hospital purchases in the PRC represent approximately 85% of the total PRC pharmaceutical market. As of 31 December 2009, there were approximately 20,291 hospitals and 892,280 clinics and other healthcare institutions in the PRC, according to the MOH. Hospitals in the PRC are generally classified into three classes, based on the number of beds, education and experience of doctors, equipment and other criteria. In 2009, there were 5,110, 6,523, and 1,233 Class I, II and III hospitals, respectively, according to the MOH. Class III hospitals have higher qualification standards compared to Class I and II hospitals. While there are many more Class I and Class II hospitals than Class III hospitals, Class III hospitals account for the largest percentage of hospital purchases. According to IMS, which sourced part of its data from the China Health Statistics Yearbook, 2008, Class III hospitals were the largest contributor to healthcare consumption in 2007, accounting for 48.6% of hospital purchases, compared to 38.6% for Class II hospitals, 4.3% for Class I hospitals and 8.6% for all other healthcare institutions.

National Medicine Catalogue and National List of Essential Drugs

Certain pharmaceutical products sold in the PRC, primarily those listed in the National Medicine Catalogue and the National List of Essential Drugs, are subject to price controls in the form of fixed retail prices or maximum retail prices. To be included in the National Medicine Catalogue, pharmaceutical products must be, among other things, necessary in clinical use, safe, effective, reasonably priced, user friendly and available in markets. See the section headed "Appendix VII Summary of Principal Legal and Regulatory Provisions — National Medicine Catalogue" in this prospectus for additional information.

In addition, according to the relevant laws and regulations of the PRC, public hospitals and other public healthcare institutions are required to purchase substantially all of the pharmaceutical products, including those that are included in the National Medicine Catalogue, through a collective tender process, which is operated and organised by medical institutions or through an intermediary appointed by medical institutions. Pharmaceutical companies submit bids, which are assessed by a committee formed by pharmaceutical experts who are recognised by the relevant authorities, with reference to, most importantly, drug quality, as well as other criteria including price, service and quality of the relevant drug manufacturer. For the same chemical composition, several products under different brands may be selected. The collective tender process for pharmaceutical products is typically conducted every year. Companies that do not win in the collective tender processes will not be qualified to sell the affected pharmaceutical products to the hospitals in the relevant province or city. See the section headed "Appendix VII — Summary of Principal Legal and Regulatory Provisions — Procurement System" in this prospectus for additional information.

Driving forces of the pharmaceutical market in the PRC

Increasing disposable income and health awareness

The following table illustrates the per capita total expenditures on healthcare of the top ten healthcare spending countries in 2009.

	CAGR of per capita total expenditure	Per capita total expenditure on healthcare		Total expenditure as % of GDP
Countries	**2005 to 2009**	**2005**	**2009**	**2009**
	%	**US$**	**US$**	**%**
China	16.0	81.1	146.6	4.1
Spain	7.0	2,179.6	2,860.3	8.7
Australia	5.4	3,036.1	3,743.9	8.8
Italy	5.3	2,706.3	3,326.4	9.0
France	5.1	3,924.9	4,789.0	10.9
Germany	3.8	3,618.1	4,192.9	10.2
USA	3.2	6,598.4	7,492.5	16.3
Canada	2.9	3,470.8	3,887.2	10.3
Japan	2.0	2,921.5	3,166.8	8.0
United Kingdom	1.2	3,112.4	3,267.2	8.6

Source: Euromonitor

According to information from the WHO and Euromonitor, the PRC had the seventh largest healthcare spending among the WHO member nations, but ranked the lowest in terms of per capita expenditure on healthcare among the top ten spending member countries in 2009. As a percentage of GDP, the PRC's expenditure on healthcare was also the lowest among the top ten spending countries, amounting to approximately 4.1% in 2009. However, as the PRC government continues to increase its spending on healthcare through different initiatives such as the current healthcare reform plan, the

PRC was the highest among the top ten spending member countries in terms of growth rate in per capita expenditure on healthcare between 2005 and 2009. The PRC's per capita total expenditure grew from US$81.1 in 2005 to US$146.6 in 2009, representing a CAGR of 16.0%.

There has also been strong growth in disposable income in the PRC. According to the National Bureau of Statistics, from 2005 to 2009, the average per capita annual disposable income of urban residents in the PRC increased from approximately RMB10,493 to RMB17,175, representing a CAGR of 13.1%. We believe that increased disposable income and health awareness have enhanced people's ability and willingness to pay for healthcare services and drug consumption and have driven the high growth in per capital expenditure on healthcare in the PRC. As the PRC economy continues to grow and the government continues to improve the quality of healthcare in the PRC, we believe the PRC's healthcare spending will continue to rise significantly in relation to its rapidly growing GDP and become more aligned with international standards.

Increasing urbanisation

According to the Economist Intelligence Unit, the percentage of PRC urban residents increased from 35.8% of the total population in 2000 to 44.0% in 2009, which represents an increase of 133.0 million people. It is also projected that the urbanisation rate in the PRC will further increase to 48.9% in 2014. Healthcare spending by urban residents accounts for the majority of the healthcare spending in the PRC. According to MOH, healthcare spending by urban residents accounted for 77.4% of the total healthcare spending in the PRC in 2008. We believe that increasing urbanisation will improve accessibility to the PRC healthcare system and further drive the demand for healthcare services, and consequently, pharmaceutical products, in the PRC.

Aging population and the prevalence of chronic health problems

Based on statistical information published by the National Bureau of Statistics, the proportion of the population aged 65 and above in the PRC has increased from 7.7%, or approximately 100.6 million, in 2005 to 8.5%, or approximately 113.1 million, in 2009. The growth of the PRC's population aged 65 and above is expected to continue. Rising life expectancy is also expected to contribute to the growth of the PRC's aging population, both as an absolute number and as a percentage of the total population. The prevalence of chronic health problems, such as cardio-cerebral vascular diseases and cancer, are also expected to increase with the growth of the PRC's population aged 65 and above. The increasing number of senior citizens in the PRC, who historically spend the most on healthcare among all age groups, is expected to drive demand for healthcare products and services in the PRC and to drive the growth of the PRC's pharmaceutical industry.

Government initiatives relating to the healthcare industry

The PRC government adopted a number of measures in recent years to encourage and promote the development of the pharmaceutical industry in the PRC. As part of its 11th Five-Year Plan (2006-2010), the PRC government has provided a number of incentives and enacting programmes, including increasing funding for building additional hospitals, research centres and other healthcare facilities, enacting healthcare reforms and standards and subsidising healthcare services for its citizens.

The goal of the current healthcare reform plan is to establish a basic, universal healthcare framework to provide Chinese citizens with safe, efficient, convenient and affordable healthcare. Healthcare reform is proposed to be carried out in two steps:

- Step One, which will be completed by 2011, aims to increase accessibility while reducing the cost of healthcare. The PRC government intends to build up a network of basic healthcare facilities, expand coverage of the public medical insurance system to cover 90% or more of the population, and reform the drug supply and public hospital system.

- Step Two, which will take place between 2011 and 2020, envisions the establishment of a universal healthcare system. The entire population is intended to be covered by public medical insurance; drugs and medical services should be accessible and affordable to citizens in all public healthcare facilities.

Government spending related to healthcare reform

The PRC government has announced that it will spend an additional RMB850 billion on healthcare reforms through 2011, which we believe will significantly bolster PRC healthcare and pharmaceutical spending, in part through increased coverage of social medical insurance and increased accessibility to the healthcare facilities.

According to IMS, out of the PRC government's RMB850 billion budget for healthcare reform, approximately 46% is expected to be allocated to establish a basic healthcare medical insurance regime, which aims to cover over 90% of the national population by 2011. The PRC government further announced that starting from 2010 the annual subsidy for each Urban Resident Program participant will be increased from RMB40 to RMB120, and from RMB80 to RMB120 for New Rural Insurance Scheme participants. The reform plan will also raise the cap on claim payments from four times the local average annual income to six times such income. IMS predicts that the PRC pharmaceutical market will benefit from the increased medical insurance coverage provided for by healthcare reform. We believe that such reform will decrease the out-of-pocket costs of the patients and enhance healthcare affordability for patients.

Another significant part of the healthcare reform focuses on increasing the accessibilities to healthcare facilities. The PRC government is expected to spend approximately 47% of the budget, according to IMS, to develop the public healthcare delivery system. Between 2009 and 2011, it plans to build an additional 5,000 rural clinics, 2,000 county-level hospitals and 2,400 urban community clinics in under-developed areas. IMS expects that pharmaceutical companies with extensive geographic market coverage will benefit from this spending on new healthcare facilities.

Pharmaceutical demand by therapeutic area

According to IMS, the top five pharmaceutical drugs by therapeutic area in 2009, in terms of hospital purchases, were:

(i) systemic anti-infective drugs;

(ii) alimentary tract and metabolism drugs;

(iii) cardiovascular system drugs;

(iv) antineoplastic and immunomodulating agents; and

(v) nervous system drugs.

On an aggregate basis, these five therapeutic areas accounted for approximately 68.3% of the PRC pharmaceutical market in 2009.

Each of the above top ten therapeutic areas is forecasted by IMS to continue to grow at a CAGR of over 20% from 2009 to 2014. The following table sets forth certain historical and forecast information on the PRC market size for the top ten therapeutic areas.

	2009	Percentage of the PRC Pharmaceutical Market in 2009	2014F	CAGR 2009-2014F
	(RMB millions)	(%)	(RMB millions)	(%)
General Anti-infectives, Systemic	66,081.4	27.1	175,000.0	21.5
Alimentary Tract and Metabolism	31,023.1	12.7	95,012.7	25.1
Cardiovascular System	28,564.4	11.7	73,823.9	20.9
Antineoplastic and Immunomodulating Agents	23,332.5	9.6	72,616.9	25.5
Nervous System	17,381.5	7.1	50,339.4	23.7
Blood and Blood Forming Organs	10,965.9	4.5	30,008.5	22.3
Respiratory System	5,946.1	2.4	17,015.5	23.4
Musculo-Skeletal System	5,611.6	2.3	15,707.0	22.9
Genito-Urinary Tract and Sex Hormones	3,229.5	1.3	9,622.5	24.4
Dermatologicals	1,214.1	0.5	3,201.4	21.4

Source: IMS Report

CARDIO-CEREBRAL VASCULAR DRUG MARKET IN THE PRC

Overview

Cardio-cerebral vascular disease is a group of diseases with symptoms or origins from or related to the heart, blood vessels or the blood supply to the brain. According to the MOH's Fourth National Survey on the PRC's Healthcare Services, the total diagnosed cases of cardio-cerebral vascular diseases increased from 37 million cases in 1993 to 114 million in 2008. Cardio-cerebral vascular disease has been a major cause of death in the PRC. According to the MOH, cardio-cerebral vascular diseases were responsible for over 40% of deaths caused by diseases in the PRC in 2009, and cerebrovascular and cardiovascular diseases were ranked number two and three, respectively, as the leading causes of death in the same year. According to MENET, each year 2.5 million new cases of stroke are diagnosed in the PRC, while more than 1.5 million people die from stroke. Among 7.5 to 8 million stroke survivors, approximately 75% suffer from different levels of disability.

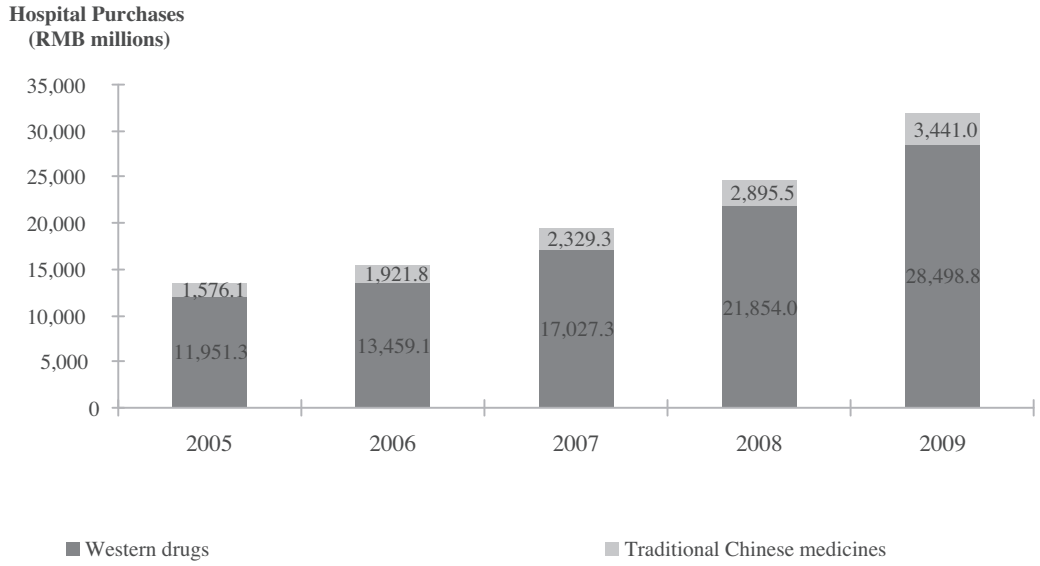
According to IMS, certain factors or lifestyles lead to increased risks of cardio-cerebral vascular diseases. These factors include: smoking; physical inactivity; excess alcohol consumption; unhealthy diet; aging and urbanisation; and poverty and stress, which may result in early stage chronic cardio-cerebral vascular diseases such as hypertension and angina. Eventually, some of these chronic patients may progress to late-stage acute cardio-cerebral vascular diseases, including coronary heart diseases (such as acute myocardial infarction) and cerebrovascular diseases (such as stroke). The following table illustrates an increasing historical prevalence rate in the PRC of the major chronic diseases within the cardio-cerebral vascular disease category, according to statistics published by the MOH in 2008.

	1998	2003	2008
Cardiovascular disease	1.4%	1.4%	1.8%
Cerebrovascular disease	0.6%	0.7%	1.0%
Hypertension	1.6%	2.6%	5.5%

Source: MOH

We believe that an aging population and lifestyle changes associated with urbanisation and economic growth will continue to contribute to an increasing incidence rate of cardio-cerebral vascular diseases in the PRC, which will have a direct impact on the demand for drugs and medical services for such diseases.

In 2009, the size of the PRC market for cardio-cerebral vascular drugs in terms of hospital purchases was RMB31,939.8 million, of which western drugs accounted for 89.2%, while traditional Chinese medicines accounted for 10.8%. The following chart shows the size of the PRC market for cardio-cerebral vascular drugs broken down by western drugs and traditional Chinese medicines.



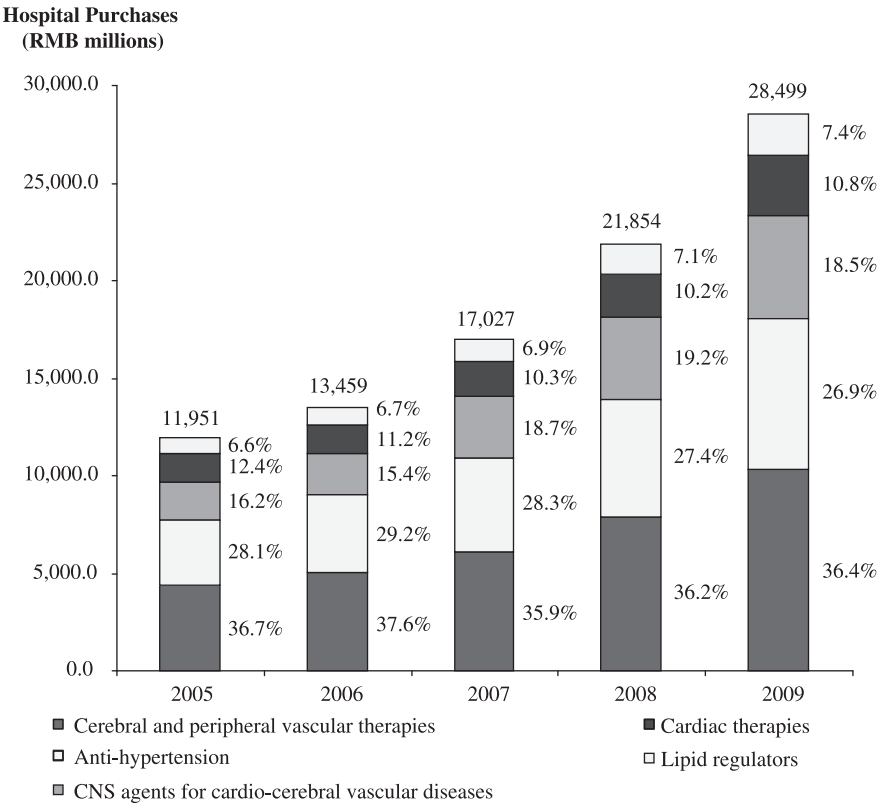
Source: IMS Report

In terms of the PRC cardio-cerebral vascular market for western drugs (which will be referred to in the remainder of this prospectus as the "cardio-cerebral vascular drug market"), the total market size in 2009 was RMB28,498.8 million, compared to RMB11,951.3 million in 2005, representing a CAGR of 24.1%, according to IMS.

The main sub-segments of the cardio-cerebral vascular drug market include:

- cerebral and peripheral vascular therapies;
- anti-hypertension drugs;
- CNS agents for cardio-cerebral vascular diseases;
- cardiac therapies; and
- lipid regulators.

Cerebral and peripheral vascular therapies constituted the largest sub-segment in 2009, accounting for 36.4% of the cardio-cerebral vascular drug market, followed by anti-hypertension drugs, with a share of 26.9% in the same year. In terms of growth, CNS agents for cardio-cerebral vascular diseases experienced the highest rate of growth, increasing at a CAGR of 28.5% from 2005 to 2009. The following chart shows the size of the cardio-cerebral vascular drug market by sub-segment from 2005 to 2009.



Source: IMS Report

The top five pharmaceutical companies in the cardio-cerebral vascular drug market in 2009 accounted for 26.6% of the market. Out of the top five companies, three are multinational companies. Our Group has had the largest market share in the cardio-cerebral vascular drug market each year since 2007 and had a market share of 7.4% in 2009. The following table sets forth the historical market shares, from 2007 to 2009, of the top five pharmaceutical companies in the cardio-cerebral vascular drug market in 2009.

	Market Share (%)		
Company	**2007**	**2008**	**2009**
Our Group	7.2	7.3	7.4
Sanofi-Aventis Gp.	5.6	6.1	6.2
Pfizer Group	4.5	4.6	4.9
Shandong Qilu Fty	3.7	4.5	4.5
Novartis Group	3.9	3.6	3.6

Source: IMS Report

According to IMS, the top five molecules used in the cardio-cerebral vascular drug market in 2009 were ganglioside, clopidogrel, cinepazide maleate, edaravone and amlodipine. Of the top five molecules, two are cerebral and peripheral vascular therapies, two are CNS agents for cardio-cerebral vascular diseases and one is an anti-hypertension drug.

The following table sets forth information on the market size of the top five molecules in the cardio-cerebral vascular drug market in 2009.

Molecule	Hospital Purchases	Market Share 2009	CAGR, 2005-2009
	(RMB million)	(%)	(%)
Ganglioside: GM1	1,869.3	6.6	93.5
Clopidogrel	1,528.8	5.4	54.6
Cinepazide Maleate	1,489.1	5.2	66.1
Edaravone	1,319.5	4.6	75.8
Amlodipine	1,086.0	3.8	18.2

Source: IMS Report

Ganglioside outperformed all other molecules not only in terms of market share in 2009, but also in terms of its CAGR from 2005 to 2009. Edaravone and cinepazide maleate also demonstrated strong growth during the same period, and ranked number two and three, respectively, in terms of CAGR from 2005 to 2009.

In terms of brands, three of the top five brands of drugs in the PRC in 2009 were produced by domestic companies. The following table sets forth information on the market shares of the top five brands of drugs in the cardio-cerebral vascular drug market in 2009.

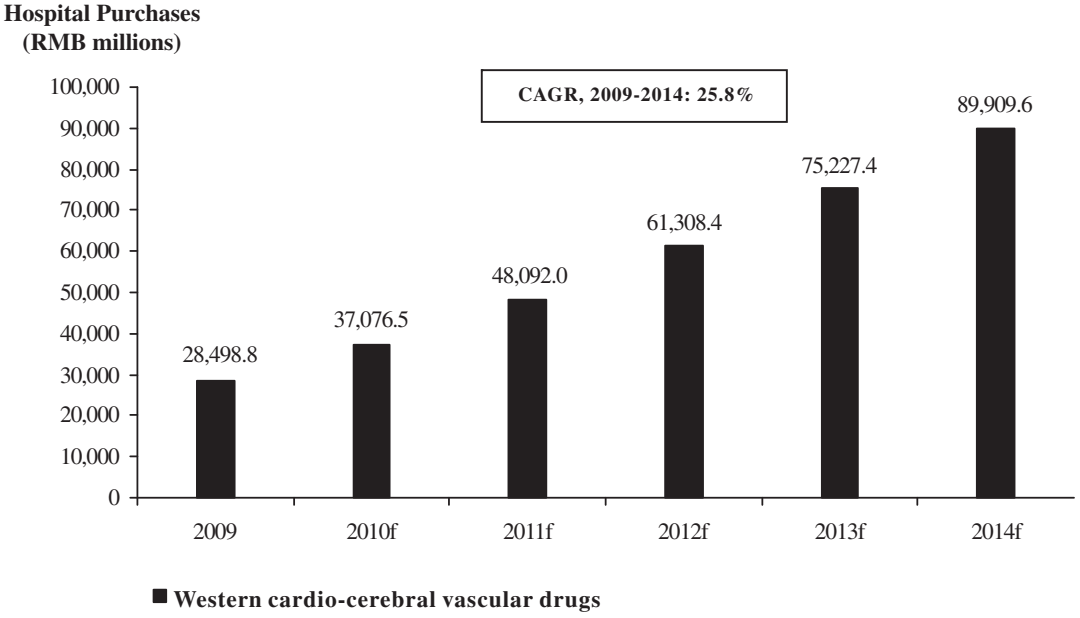
		Market Share (%)		
Product Brand (Molecule)	Company	2007	2008	2009
Kelinao/Anjieli (Cinepazide Maleate)	Our Group	4.4	5.2	5.2
Plavix (Clopidogrel)	Sanofi-Aventis Gp.	4.0	4.3	4.4
Shen Jie (Ganglioside)	Shandong Qilu Fty	3.1	3.9	3.9
Kai Shi (Alprostadil)	Beijing Taide Ph.	3.2	3.1	2.9
Lipitor (Atorvastatin)	Pfizer Group	1.9	2.3	2.6

Source: IMS Report

Please see the section headed "Business — Competition" in this prospectus for additional information on the competitive landscape of the cardio-cerebral vascular drug market in the PRC.

According to IMS, the PRC cardio-cerebral vascular drug market will maintain its high growth rate in the next few years as a result of many factors, including, but not limited to, the expansion of the medical insurance coverage, the inclusion in the National Medicine Catalogue of new drugs, the

increase of household income and the rising incidence rate of stroke and cardiac diseases such as acute myocardial infarction. It is expected to grow at a CAGR of 25.8% from 2009 to reach RMB89.9 billion in 2014. The following chart shows the historical and projected size of the cardio-cerebral vascular drug market in the PRC from 2009 to 2014.



Source: IMS Report

Cerebral and peripheral vascular therapies

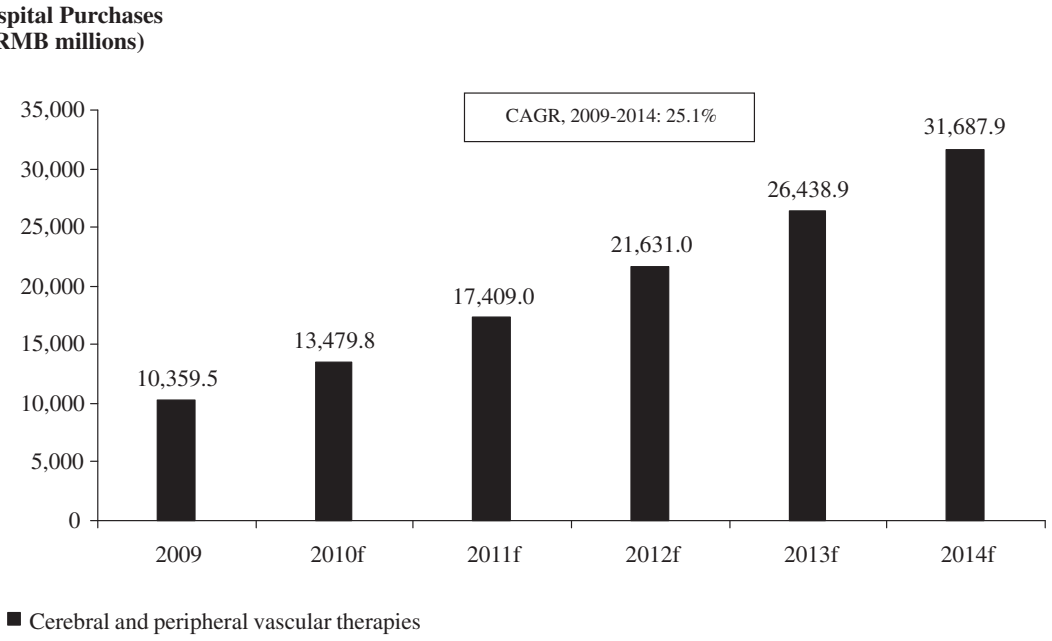
Cerebral and peripheral vascular therapies are specifically used to dissolve blood clots that clog blood vessels or to widen constricted blood vessels, particularly the large arteries, smaller arterioles and large veins in the brain or in the peripheral circulatory system. The MOH's Fourth National Survey on the PRC's Health Services reported that the number of people who suffer from cerebral vascular diseases increased from 5 million in 1993 to 13 million in 2008.

According to IMS, the market size of cerebral and peripheral vascular therapies in the PRC amounted to RMB10.4 billion in 2009, compared to RMB4.4 billion in 2005, representing a CAGR of 24.0%. The following table sets forth information on the market size of the top five molecules used in cerebral and peripheral vascular therapies in 2009.

Molecule	Hospital Purchases	Market Share	CAGR, 2005-2009
	(RMB millions)	(%)	(%)
Clopidogrel	1,528.8	14.8	54.6
Cinepazide Maleate	1,489.1	14.4	66.1
Deproteinized Calf Blood Extract	1,039.1	10.0	31.7
Dipyridamole	890.1	8.6	25.5
Ozagrel	830.7	8.0	22.4

Source: IMS Report

According to IMS, the market for cerebral and peripheral vascular therapies will continue to grow and remain the largest segment of the cardio-cerebral vascular drug market in the PRC in the next few years. The main driving forces specific to this segment include improved disease awareness, enhanced secondary prevention treatment regimens and long-term follow-up treatment post cardio-vascular disease events. In addition, several major drugs in this segment are expected to be included in the National Medicine Catalogue and several major pharmaceutical companies in cardio-cerebral vascular drug market are expected to add marketing force to promote the drugs in much broader geographic markets and new rural markets. The following chart shows the historical and projected size of the cerebral and peripheral vascular therapies drug market in the PRC from 2009 to 2014.



Source: IMS Report

CNS agents for cardio-cerebral vascular diseases

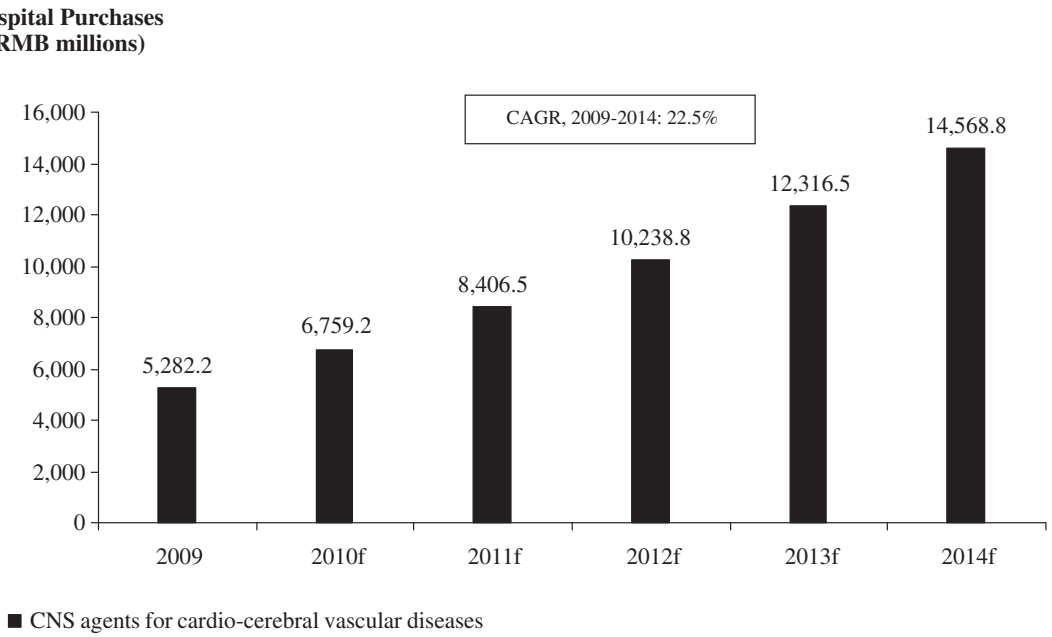
CNS agents for cardio-cerebral vascular diseases include drugs used for the treatment or prevention of damage to the brain by stroke, trauma and ischemic injury, and those used to rehabilitate brain functions impaired by cardio-cerebral vascular diseases. For example, stroke is a major cause of dementia and approximately 6 million people suffer from dementia in the PRC according to MENET.

According to IMS, the market size of CNS agents for cardio-cerebral vascular diseases was RMB5.3 billion in 2009, compared to RMB1.9 billion in 2005, representing a CAGR of 29.2%. The following table sets forth certain information on the top five molecules used in CNS agents for cardio-cerebral disorders in 2009.

Molecule	Hospital Purchases	Market Share	CAGR, 2005-2009
	(RMB millions)	(%)	(%)
Ganglioside: GM1	1,869.3	35.4	93.5
Edaravone	1,319.5	25.0	75.8
Cerebroprotein Hydrolysate	733.9	13.9	10.0
Cytidine Triphosphate	617.3	11.7	1.4
Aceglutamide	269.0	5.1	5.5

Source: IMS Report

According to IMS, the market for CNS agents for cardio-cerebral vascular diseases will continue to grow in the next few years as a result of many factors, including, but not limited to, the expansion of the medical insurance coverage, the inclusion in the National Medicine Catalogue of new drugs, the increase in household income and the increased incidence rate of stroke. The following chart shows the historical and projected size of the CNS agents for cardio-cerebral vascular diseases drug market in the PRC from 2009 to 2014.



Source: IMS Report

INFORMATION AND DATA COMMISSIONED FROM IMS

IMS is an international market intelligence provider in pharmaceutical and healthcare industries and has provided data compilation services for over 56 years and consulting services since 2002. Prior to the engagement of IMS by our Company for the compilation and preparation of information and data on the PRC pharmaceutical industry in relation to the Global Offering, there were no previous dealings between IMS and our Company.

We paid IMS a fee of not more than RMB1 million, which we consider as reflecting market rates, to compile and prepare the information and data from which we have derived information and data for inclusion in this prospectus. The information and data commissioned by our Company has been compiled and prepared by IMS based on publicly available governmental and industry information (including the China Health Statistics Yearbook), its proprietary database and its independent research and audits of the PRC pharmaceutical market and PRC hospitals. In compiling and preparing such information and data for the Company, IMS adhered to the following methodology:

- IMS database only reflects purchases by hospitals over 100-bed size, at hospital purchase price, instead of patient consumption at retail price.

- IMS database is projected based on statistical analysis and actual data from panel hospitals.

- For each forecast, historical sales or volume data is extrapolated by exponential smoothing to generate a purely statistical baseline. This baseline assumes historical trends will continue into the future unchanged.

- Unprecedented changes that are not part of the historical trend are then captured by an event-based methodology. Events are identified and quantified by in-depth research and opinion leader interviews, and applied to the baseline projection to produce a more realistic forecast.

HISTORY AND DEVELOPMENT

Some important milestones in our history to date are set out below:

Year	Event
2001	Hainan Sihuan was founded.
2002	Our Group developed a differentiated sales and distribution model.
2003	**Kelinao** was launched.
	Acquisition of 28% interest in Beijing Sihuan which expanded our business to manufacturing.
	Chuanqing was launched.
2004	We received a 20-year patent protection for the synthesis process in the PRC used in the production of Kelinao and Anjieli.
2005	Hainan Sihuan was granted the "**High and New Technology Enterprise**" status.
2006	**Kelinao** was granted "**State Torch Programme**" status by the Science and Technology Ministry.
	We acquired the remaining interest in Beijing Sihuan as a result of which Beijing Sihuan became our wholly-owned subsidiary.
	We received a 20-year patent protection for the improved production method in the PRC used in the production of Kelinao and Anjieli.
2007	Sihuan Pharmaceutical was listed on the main board of the SGX-ST on 23 March 2007.
	Kelinao and **Anjieli** collectively have ranked first among all drugs sold in hospitals in the PRC since 2007.
	Acquisition of 100% interest in Shenzhen Sihuan.
	Hainan Sihuan CVD Research became our wholly-owned subsidiary.
2008	Acquisition of 60% interest in KBP BioSciences subsequent to which our Group became engaged in the research and development of innovative drugs.
	Aogan was launched.
	We received a 20-year patent protection for the invention and production method of non-solvated cinepazide maleate crystal in the PRC used in the production of Kelinao and Anjieli.
	Beijing Sihuan was granted the "**High and New Technology Enterprise**" status and Hainan Sihuan successfully renewed its "**High and New Technology Enterprise**" status, which entitled both companies to enjoy a preferential tax rate of 15% for three years.

Year	Event
2009	**Qingtong** was launched.
	Subsequent to MSPEA III Cayman's investment and the privatisation of our Company, we became delisted from the SGX-ST.
	We established a joint venture with Beijing Gaobo in Langfang which engages in pharmaceutical raw material (including API) production.
2010	Sihuan Pharmaceutical was ranked No. 4 in the Forbes 2010 list of most promising enterprises in the PRC (2010福布斯中國潛力企業榜) and No. 1 among pharmaceutical manufacturers.
	Acquisition of 60% interest in Gao Duan Wei Ye which offers the opportunity for our products to be exported and for overseas products to be introduced into the PRC market.

We trace our history to 2001, when Hainan Sihuan, currently one of our major operating subsidiaries, was established. Our Company was incorporated on 26 April 2006 in accordance with the Bermuda Companies Act as an exempted company. In 2006, we underwent corporate reorganisation which resulted in our Company becoming the holding company of Hainan Sihuan and other subsidiaries which together are principally engaged in the manufacturing, development, sales and marketing of pharmaceutical products for treatment of cardio-cerebral vascular diseases, as well as other drugs for target therapeutic areas including anti-infective, metabolism, oncology and nervous system.

Since our establishment, we have made various acquisitions. We select our acquisition targets mainly based on factors such as the market potential of the pharmaceutical products which the target owns, whether the target's products can complement our existing pipeline of products, the complementing capabilities of the target company such as manufacturing or overseas capabilities as well as the number of producers in the market for products which the target company was producing prior to the acquisition. Further details of historical acquisitions we have made are set out below.

Establishment of Hainan Sihuan

We commenced our business in March 2001 when Dr. Che (our Chairman and CEO), Dr. Guo (our executive deputy chairman) and two other independent third parties, namely Mr. Shang Yu Xin (尚玉新) and Mr. Peng Jian Lin (彭建林), founded Hainan Sihuan (previously named 海南洋浦新特藥有限公司 (Hainan Yangpu Xinteyao Pharmaceutical Ltd.)) in the shareholding proportions of 40%, 20%, 20% and 20%, respectively. Hainan Sihuan was then engaged in the sale and distribution of cardio-cerebral vascular drugs.

Dr. Che and Dr. Guo had, prior to the establishment of Hainan Sihuan, practised as neurologist and general surgeon, respectively, in hospitals affiliated with the Fourth Military Medical University in the PRC and held various senior marketing and management positions in pharmaceutical companies. We capitalise on their medical expertise and extensive knowledge of, and experience in, the industry and place special emphasis on cardio-cerebral vascular drugs.

Launch of Kelinao and Chuanqing

We commenced the sales of Kelinao (cinepazide maleate injection) and Chuanqing (ligustrazine hydrochloride for injection) in 2003. Kelinao and Chuanqing continue to be among our leading cardio-cerebral vascular drugs. These products have been well received by the market since they were commercially launched. In addition to the sales of pharmaceutical products we produced, we also distributed pharmaceutical products produced by third party manufacturers as well as engaged in subcontracting manufacturing for third parties.

During the period between 2002 and 2005, through a series of shareholding changes, Hainan Sihuan became wholly-owned by certain members of our Board, namely, Dr. Che, Dr. Guo and Mr. Meng (being three of our executive Directors) and Dr. Zhang (our non-executive Director) in the shareholding percentages of 51%, 25%, 11% and 13%, respectively.

Acquisition and subsequent disposal of 75% interest in 海南三浦醫藥開發有限公司 (Hainan Sanpu Pharmaceutical Development Co., Ltd.) ("Hainan Sanpu")

Hainan Sanpu was incorporated on 2 April 2003 and was owned as to 30% by Dr. Che, as to 50% by Ms. Gu Jin (顧津), the wife of Dr. Che and as to 20% by Mr. Gu Shigang (顧世剛), the brother of Ms. Gu Jin at incorporation. In June 2003, we acquired 30%, 25% and 20% interests in Hainan Sanpu from Dr. Che, Ms. Gu Jin and Mr. Gu Shigang (顧世剛) for considerations of RMB300,000, RMB250,000 and RMB200,000, respectively. The considerations were determined based on the registered capital of Hainan Sanpu. The acquisitions were made as part of our Group's plan to diversify our business. Subsequent to these acquisitions, Hainan Sanpu became 75% owned by our Group and 25% owned by Ms. Gu Jin.

Hainan Sanpu had not commenced any business operations since its establishment. Consequently, in September 2006, both of our Group and Ms. Gu Jin disposed of their respective 75% and 25% interests in Hainan Sanpu to Chong Wenting (崇文婷), an independent third party, for considerations of RMB750,000 and RMB250,000 respectively. The considerations were based on the registered capital of Hainan Sanpu and were fully settled in cash in September 2006. The disposals were made as we were undergoing reorganisation in preparation for listing on SGX-ST and subsequent to this disposals, Hainan Sanpu ceased to be our subsidiary.

Acquisition of Beijing Sihuan

In December 2003, we expanded our operations to include the manufacture of pharmaceutical products by acquiring a 28% interest in Beijing Sihuan from Shi Sheliang (史社亮), an independent third party, for a consideration of RMB9,520,000 which was based on the previous purchase price that had been paid by Shi Sheliang (史社亮) in 2000. Beijing Sihuan was then one of our main product manufacturers and had a long operating history. Beijing Sihuan was the then holder of the manufacture permit for Kelinao and the acquisition of the interest in Beijing Sihuan enabled our Group to extend our business into manufacturing through participation in the production and quality control of Kelinao. The acquisition of the minority interest in Beijing Sihuan paved the way for our eventual acquisition of the entire issued share capital in Beijing Sihuan. Through subsequent acquisitions of the remaining equity interest in Beijing Sihuan during 2004 and 2005 from various independent third parties (namely, 8% from 深圳市太安投資有限公司 (Shenzhen Tai'an Investment Co., Ltd.) ("**Shenzhen Tai'an**") in December 2004, 5% from 深圳市永銘實業有限公司 (Shenzhen Yongming

Industry Co., Ltd.) in December 2004, 17% from Shenzhen Tai'an in November 2005, 40% from Cai Mingxi (蔡名熙) in December 2005 and 2% from Mr. Meng, who was then the director of Hainan Sihuan, in April 2006), Beijing Sihuan became our wholly-owned subsidiary by the end of April 2006. The aggregate consideration paid by us for acquiring the entire interest in Beijing Sihuan was approximately RMB35.2 million. The consideration was determined on arm's-length basis based on the unaudited net asset value of Beijing Sihuan of RMB33.1 million as at 31 December 2003. Save for Shenzhen Tai'an, which is an associate of Dr. Zhang, our non-executive Director, the other outgoing shareholders are independent of, and not related to, our Directors or Controlling Shareholders.

Besides manufacturing our own pharmaceutical products through Beijing Sihuan, we also process pharmaceutical products and health supplements for other companies.

Establishment of Hainan Sihuan CVD Research

In 2005, we entered into a joint venture with Youbang Research, an independent third party to establish Hainan Sihuan CVD Research to undertake the research and development of pharmaceutical products focusing on cardio-cerebral vascular diseases. Youbang Research is a renowned medical research institution in Hainan, PRC. At the establishment of Hainan Sihuan CVD Research, we and Youbang Research held 51% and 49% interest respectively in the joint venture.

Establishment of Hainan Sihuan Technology

Hainan Sihuan Technology was incorporated on 10 March 2006 and is wholly-owned by Hainan Sihuan. Hainan Sihuan Technology is principally engaged in cooperative projects with other research companies. We established Hainan Sihuan Technology to serve as a platform to enter into distributorship agreements with our distributors as well as other business transactions with other third parties.

Acquisition of remaining 10% interest in Hainan Sihuan Information

Hainan Sihuan Information was incorporated on 4 March 2004 and was owned 90% by Hainan Sihuan and 10% by Mr. Che Fengxu (車馮旭), the brother of Dr. Che. In May 2006, we acquired 10% equity interest in Hainan Sihuan Information from Mr. Che Fengxu (車馮旭) for consideration of RMB100,000. This consideration was determined after negotiation between the parties on an arm's-length basis. As a result of this acquisition, Hainan Sihuan Information became our wholly-owned subsidiary. We acquired the remaining 10% interest in Hainan Sihuan Information for the purpose of gaining full control in Hainan Sihuan Information and making it a wholly-owned subsidiary of our Group.

Our Company became the holding company of our Group

As part of the Reorganisation, our Company acquired the entire equity interest in Hainan Sihuan from Dr. Che, Dr. Guo, Mr. Meng and Dr. Zhang in the shareholding percentages of 51%, 25%, 11% and 13%, respectively in June 2006 for an aggregate consideration of RMB58,616,800 which was fully paid in December 2006. The consideration was determined on an arm's-length basis based on an independent valuation of Hainan Sihuan as at 16 June 2006. The transfer was approved by the Department of Commerce of Hainan Province (海南省商務廳) on 23 June 2006. As a result of the acquisition, our Company became the holding company of our Group.

The Provisions Regarding 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》) (the "**M&A Rules**") provide that if a foreign investor's merger with or acquisition of a domestic company is based on the issuance of equity securities, the offshore special purpose vehicle established for listing purposes and controlled directly or indirectly by PRC companies or individuals shall be approved by the CSRC prior to its listing and trading of its securities on an overseas stock exchange. According to our PRC legal advisor, because our Group carried out its merger and acquisition activities before the adoption of the M&A Rules, the M&A Rules do not apply to the Reorganisation. Further, since our Group had acquired 100% of equity interest in Hainan Sihuan for cash and not by issuing equity securities, our PRC legal advisor is of the opinion that our Group is not required to obtain approval from the CSRC prior to Listing.

Listing of our shares on SGX-ST

On 23 March 2007, we listed our Shares on the main board of the SGX-ST.

Acquisition of the remaining 49% interest in Hainan Sihuan CVD Research

On 20 June 2007, in order to enhance our control over the research and development process of our products and ensure protection of the intellectual property rights owned by Hainan Sihuan CVD Research, we acquired the remaining 49% equity interest in Hainan Sihuan CVD Research from Youbang Research, an independent third party for a consideration of RMB2,484,693.95, which was determined on an arm's-length basis based on an independent valuation of the shares of Hainan Sihuan CVD Research as at 31 March 2007. As a result of the acquisition we became the 100% owner of Hainan CVD Research.

Acquisition of Shenzhen Sihuan

On 15 October 2007, we acquired the entire equity interest in Shenzhen Sihuan from Dai Lifang (戴麗芳), Duan Xiaobo (段曉波) and Zhang Guanshun (張觀順), all of whom are independent third parties, for a total consideration of RMB60 million, which was determined on an arm's-length basis, based on the net profits of Shenzhen Sihuan in 2007 and 2008. At the time of acquisition, Shenzhen Sihuan was principally engaged in the marketing and distribution of proprietary and third party pharmaceutical products through a network of sales offices and distributors in the PRC.

This acquisition (i) enabled our Company to expand its product range and increase its market coverage; (ii) allowed our Company to acquire distribution rights of established products; and (iii) contributed to earnings and growth of our Company.

Acquisition of Hainan Ao He

On 26 November 2007, we acquired the entire equity interest of Hainan Ao He from two independent third parties, namely, Zhang Xiaomin (張小民) who was then a 60% shareholder and Zhang Ailing (張愛玲) who was then a 40% shareholder, for considerations of RMB 2,254,785.02 and RMB1,503,190.01, respectively. The considerations were determined after negotiation among parties on an arm's-length basis. Hainan Ao He is principally engaged in the trading of pharmaceutical products. This acquisition was made as Hainan Ao He was a company which bears GSP certification, which could help facilitate the development of our business. It is also a company which can help supply our Group with useful marketing information and resources in Hainan.

Acquisition of 60% interest in KBP BioSciences

At the beginning of the Track Record Period, KBP BioSciences was 80% owned by Ms. Cai Jun (蔡軍), the wife of Mr. Huang, and 20% by Qiu Zhuqing (邱竹青), the mother of Mr. Huang. In January 2008, Ms. Cai Jun (蔡軍) acquired a 20% interest in KBP BioSciences from Qiu Zhuqing (邱竹青) for a consideration of RMB800,000. Following such transfer and on the same day, the registered capital of KBP BioSciences was increased from RMB4,000,000 to RMB50,000,000, with RMB8,500,000 contributed by Mr. Huang and RMB37,500,000 contributed by Hainan Sihuan ("**Share Capital Contribution**"). As a result, KBP BioSciences became held as to 75% by Hainan Sihuan, 17% by Mr. Huang and 8% by Ms. Cai Jun (蔡軍). A total consideration of RMB62,500,000 was paid by Hainan Sihuan in relation to the acquisition, the amount of which also included the Share Capital Contribution. The consideration was determined after negotiation among parties on an arm's-length basis. In April 2008, Ms. Cai Jun (蔡軍) acquired 15% equity interest in KBP BioSciences from Hainan Sihuan. Hainan Sihuan held 60% interest in KBP BioSciences as a result of this transfer. KBP BioSciences is engaged in the research and development of our Group's pharmaceutical products. Some write-off of goodwill and intangible assets relating to KBP BioSciences was made in 2009 mainly due to discontinuation of certain R&D projects which failed to breakthrough the technical barriers in the development process of certain drugs. The decision to discontinue such R&D projects was made after consideration of the uncertainty of the timing for successful technical breakthrough and the unforeseeable length of continued capital and technical commitment. Our Directors consider that the write-off made in 2009 did not affect the integration of KBP BioSciences into our Company's R&D resources and the speed of our product, as KBP BioSciences has been able to contribute its experience in developing new drugs and intellectual property management to our Group. It has also successfully assisted with resolving various R&D barriers in other R&D projects being carried out by our Group. Five drug candidates originated by KBP BioSciences are expected to advance to clinical trial stage within the next three years. Furthermore, we believe that KBP BioSciences' established R&D platform based on internationally recognised standards is well-positioned to assist our Group in developing innovative drugs that can penetrate international markets, thereby realising our Group's objective of becoming a global player in the pharmaceutical industry. We believe that this acquisition will further integrate our Group's research and development resources and capability and accelerate our new product launches.

Acquisition and subsequent disposal of 45% interest in 北京普仁鴻醫藥銷售有限公司 (Beijing Purenhong Pharmaceutical Co., Ltd.) ("Beijing Purenhong")

On 1 January 2008, we acquired a 45% equity interest in Beijing Purenhong from Zhang Zhichao (張智超), an independent third party, for consideration of RMB50,715,000 which was determined on arm's-length negotiation with reference to the net profit of Beijing Purenhong as stated in its 2008 audited accounts (the "**Purenhong Acquisition**"). The Purenhong Acquisition provided our Group with immediate access to the pharmaceutical distribution business. At the time of the Purenhong Acquisition, our Group was of the view that the acquisition was in the interests of our Group as Beijing Purenhong was a well-managed company and a sizeable pharmaceutical distribution company in Beijing with good long-term prospects which could result in a positive impact on the financial results of our Group. As the PRC government was about to impose changes on the flow of pharmaceutical products and more favourable future policies to pharmaceutical companies with logistical capability, our Group considered that the acquisition of an interest in Beijing Purenhong, being a pharmaceutical distribution company with good connections with hospitals in Beijing, would

be favourable to the Group. The Purenhong Acquisition was intended to allow our Group to secure the potential longer-term benefits of establishing a business presence in the pharmaceutical distribution markets and of achieving business synergies and cost saving opportunities with regard to our Group's business in the manufacture and sale of pharmaceutical products. During the subsistence of our Group's investment in the 45% equity interest in Beijing Purenhong, the interest was treated as an investment in an associated company. Assuming that our Company was a listed issuer at the time of the Purenhong Acquisition, the asset ratio, revenue ratio, profit and consideration ratio of the Purenhong Acquisition would be 14.8%, 51.9%, 2.3% and 0.27%, respectively. As the revenue ratio of the Purenhong Acquisition exceeded 25%, it would have constituted a major transaction of our Group under Rule 4.05A under the aforesaid assumption.

In early 2009, as part of its continuing assessment of its investment in Beijing Purenhong, our Group concluded that its shareholding in Beijing Purenhong would no longer be an efficient use of our Group's resources due to the capital intensive nature of its business attributable to its large working capital requirement. It is because Beijing Purenhong's business model founded on drugs distribution with logistics services required large working capital as the credit periods provided to hospitals to which Beijing Purenhong distributed to were usually longer than the cash payment credit periods granted by its suppliers. Our Directors considered that such large requirement of working capital would make it difficult to expand the size of our business. Furthermore, our Group considered that the expected benefits from the acquisition had not been realised as Beijing Purenhong's distribution network in Beijing failed to achieve the expected results with our Group's products because of differences in segment focus as our Company is more focused on the R&D, manufacturing and marketing of drugs while Beijing Purenhong was more focused on distribution of drugs. On 10 May 2009, we disposed of 17.2% and 27.8% equity interests in Beijing Purenhong to 北京雙鷺葯業股份有限公司 (Beijing SL Pharmaceutical Co., Ltd.) and 北京京石立邁生物技術有限公司 (Beijing Jing Shi Li Mai Biotechnology Co., Ltd.), respectively, both of whom are independent third parties, for cash considerations of RMB38,872,000 and RMB62,828,000, respectively, which was determined after negotiation among parties on an arm's-length basis and based on historical earnings of Beijing Purenhong (the "**Purenhong Disposal**").

As a result of the Purenhong Disposal, our Group realised a net gain amounting to RMB38.2 million and experienced an improvement in its cashflow position. This disposal did not result in any material adverse impact on our Group's operations. The Purenhong Acquisition and Purenhong Disposal were not intended to secure short-term financial gain or to enable our Company to satisfy the profit test of Rule 8.05 of the Listing Rules. Our Company's financial results for the Track Record Period could have satisfied the profit test of Rule 8.05(1)(a) of the Listing Rules even if the net gain realised from this disposal were to be excluded from such financial results.

The Purenhong Acquisition constituted a major transaction of the Group as defined in the Listing Rules and according to Rule 4.05A of the Listing Rules, pre-acquisition financial information on Beijing Purenhong should be disclosed from the commencement of the Track Record Period to the date of acquisition. However, our Company considers that any pre-acquisition financial information of Beijing Purenhong would not be relevant to the decision making of potential investors and would not be material to potential investors' investment decisions based on the following reasons: (a) the 45% equity interest in Beijing Purenhong was a minority stake that did not give our Group an ability to exercise control or influence on Beijing Purenhong, and our Group had no right to participate in Beijing Purenhong's policy-making process, including its decision on dividends or other distributions.

Under our Group's accounting policy, the investment was classified as an "investment in an associated company"; (b) our Company held the minority stake in the Beijing Purenhong for just over 16 months during the Track Record Period; (c) following the Purenhong Disposal, the historical financial information of Beijing Purenhong would not be relevant to potential investors or their investment decisions, and the financial impact of the Purenhong Acquisition and the Purenhong Disposal on our Company during its Track Record Period has already been fully reflected in our Company's financial information included in this Prospectus; and (d) following the Purenhong Disposal, our Company has no shareholding relationship with Beijing Purenhong and our Group has no rights to access the financial information of Beijing Purenhong. Given it would be impractical and unduly onerous for our Group to obtain the pre-acquisition financial information of Beijing Purenhong and to seek consent to disclose such information in the Prospectus, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the disclosure requirements under Rule 4.05A of the Listing Rules.

Establishment of Langfang Sihuan

Langfang Sihuan was incorporated on 24 July 2009 and 51% owned by Beijing Sihuan, 34% owned by 北京高博醫藥化學技術開發有限公司 (Beijing Gao Bo Medicinal Chemistry Technology Co., Ltd.), an independent third party, 10% owned by Mr. Wang Fu Ping (王复平), an independent third party and 5% owned by Mr. Xiong Chuan Hui (熊傳輝), an independent third party. Langfang Sihuan is principally engaged in the manufacture of raw materials including API and pharmaceutical intermediate products, being the up-stream substance for the production of mid-stream bulk medicine used in the manufacture of finished products. The establishment of Langfang Sihuan provides solution for and a more steady supply platform of raw materials.

Privatisation of our Group, de-listing from SGX-ST and application for listing on the Stock Exchange

In late 2009, our Controlling Shareholders together with MSPEA III Cayman privatised our Company through China Pharma. The privatisation was done in preparation for our de-listing from SGX-ST which subsequently took place on 2 December 2009. Since then, we have continued to operate our business as a private company. Decisions to privatise and de-list our Company SGX-ST were made due to the limited liquidity of our stock and lack of comparable peer companies as well as institutional investors (especially those specialised in healthcare stocks) in the Singapore market. Our initial intention behind the listing our Company on the SGX-ST, which had been to increase the liquidity of our Group, was not fufilled as a result of the foregoing factors. As a result of the privatisation, our Company became a wholly-owned subsidiary of China Pharma, which was in turn a wholly-owned subsidiary of Plenty Gold, except for one (1) share held by MSPEA Pharma BV.

Our Company commenced the Reorganisation in the second quarter of 2010 in preparation for listing on the Stock Exchange. Our Directors consider Hong Kong's capital market to be a suitable platform for our Shares to be listed as they believe investors in Hong Kong have an understanding of the Chinese healthcare market and therefore our Company's business, due to the fact that there are a number of pharmaceutical companies already listed on the Stock Exchange. Our Directors believe that the foregoing factors will contribute to opportunities for better liquidity and access to internationally renowned institutional investors for our Group.

Establishment of Beijing Di Ao Lin

Beijing Di Ao Lin was incorporated on 5 February 2010 and is wholly-owned by KBP BioSciences. Beijing Di Ao Lin is principally engaged in the intellectual property rights related registration applications of products developed by KBP BioSciences.

Acquisition of 60% interest in Gao Duan Wei Ye

On 28 June 2010, Hainan Sihuan acquired 60% of Gao Duan Wei Ye's equity interests for a consideration of RMB4 million. The remaining equity interests were held as to 20% by Li Wei (李瑋) and as to 20% by Ma Hongchi (馬洪馳), both of whom are independent third parties. We believe that this investment will position us well to introduce overseas products into the PRC as Gao Duan Wei Ye has long-established relationships with Japanese pharmaceutical companies providing a favourable potential channel for our Group's future entry into the Japanese market.

Collaboration in relation to Hainan Ao He

In order to develop the business of our Group with a broader product offering, a cooperation framework agreement was entered into on 30 April 2010 amongst Shenzhen Sihuan and two independent third parties, namely Zhu Xiaowu (朱小伍) and Li Gang (李剛), pursuant to which the parties agreed to enter into collaboration in relation to Hainan Ao He. Pursuant to this framework agreement, the parties agreed to, among other things, the future transfer (exact date not specified) from Shenzhen Sihuan of 41% and 20% interest in Hainan Ao He to Zhu Xiaowu (朱小伍) and Li Gang (李剛) respectively at considerations of RMB1.148 million and RMB560,000 respectively, and the cooperation of the parties in the operation of Hainan Ao He. We believe this cooperation framework agreement has no material impact on the Group.

Establishment of Beijing Ao He Research

Beijing Ao He Research was incorporated on 12 May 2010 and is wholly-owned by Beijing Sihuan. Beijing Ao He Research is principally engaged in the research and development of our Group's pharmaceutical products.

MSPEA III Cayman's investment in our company

Immediately prior to the privatisation of our Company in 2009, our Company was held as to approximately 69% by Plenty Gold, which was owned by Dr. Che, Dr. Guo, Mr. Meng, Dr. Zhang and Mr. Huang in the proportions of approximately 51%, 25%, 11%, 10.1% and 2.9% respectively. Dr. Che, Dr. Guo, Mr. Meng and Mr. Huang also directly held approximately 2.2%, 2.1%, 1.4% and 2% in each of their personal capacity, respectively, in our Company. The remaining approximately 23.3% of our Company's issued share capital at the time was held by public shareholders.

In September 2009, MSPEA III Cayman through MSPEA Pharma BV formed a consortium (the "**Consortium**") with the Undertaking Shareholders to make a voluntary conditional cash offer (through China Pharma as the offeror entity) to acquire all the Shares in our Company at a price of S$0.975 per share (the "**Offer**") with the intention of privatising our Company (the "**Privatisation**"). Upon completion of the Privatisation in December 2009, our Company became wholly-owned by China Pharma.

China Pharma is an investment holding company incorporated in Bermuda on 17 July 2009 and, at the time of its incorporation, China Pharma was wholly-owned by MSPEA Pharma BV. MSPEA Pharma BV is a private limited liability company established under Dutch law which is wholly-owned by MSPEA III Coop. MSPEA III Coop is a cooperative established under Dutch law and wholly-owned by MSPEA III Cayman. MSPEA III Cayman is an exempted company incorporated in Cayman Islands with limited liability and is controlled by MSPEA III, a fund managed by the private equity arm of Morgan Stanley. The general partner of MSPEA III is MSPEA III GP, the managing member of which is MSPEA III Inc., an investment advisor registered with the U.S. Securities and Exchange Commission.

In relation to the Offer, an irrevocable undertaking was given by the Undertaking Shareholders in August 2009 to China Pharma to accept the Offer in respect of their then aggregate approximate 76.6% interest in the Company (the "**Privatisation Undertaking**"). The Undertaking Shareholders, MSPEA Pharma BV and China Pharma also entered into other arrangements, including:

(a) subscription by MSPEA Pharma BV for convertible bonds (the "**Convertible Bonds"**) issued by China Pharma for a consideration of US$48,672,331.39 payable in cash to fund the offer price to be paid by China Pharma for the Shares tendered pursuant to the Offer; and

(b) subscription by the Undertaking Shareholders for a certain number of new shares in China Pharma, to fund the offer price to be paid by China Pharma for the Shares tendered pursuant to the Offer. Subject to the Privatisation Undertaking, China Pharma's obligation to pay the offer price to each Undertaking Shareholder for his/its Shares tendered in acceptance of the Offer pursuant to the Privatisation Undertaking ("**Shares in Acceptance**") was set off against that Undertaking Shareholder's obligation to pay for such number of new shares in China Pharma that was equal to the number of Shares in Acceptance.

The consideration amount of US$48,672,331.39 for the Convertible Bonds was settled by MSPEA Pharma BV on 28 October 2009 and constitutes the total investment amount in our Company by MSPEA Pharma BV.

On 5 August 2010, MSPEA Pharma BV converted all Convertible Bonds held by it in the principal amount of US$48,672,331.39 into 47,000,000 Shares of our Company, representing 10% of the issued share capital of our Company. A share pledge over certain Shares was created by Plenty Gold in favor of MSPEA Pharma BV to secure certain obligations. Such share pledge will be terminated upon Listing.

Further changes in share structure

On 5 August 2010, China Pharma, which as a result of the privatisation had been the 100% shareholder of our Company, redeemed its entire issued share capital from its then shareholders, namely, Plenty Gold, Dr. Che and Dr. Guo, all of whom had been shareholders of China Pharma holding over 95% of the entire issued share capital of China Pharma since shortly after its incorporation. In return for the share redemption, China Pharma transferred a certain number of shares in our Company to each of them. As a result of the share redemption, the shareholding structure of our Company became as follows:

Shareholder	Approximate shareholding percentage
Plenty Gold	87.7%
Dr. Che	1.6%
Dr. Guo	0.7%
MSPEA Pharma BV	10.0%
Total	100.0%

On 7 July 2010, Dr. Che, Dr. Guo, Mr. Meng, Dr. Zhang, Mr. Huang (collectively, the "**Individual Shareholders**"), Plenty Gold and Top Matrix entered into a share purchase agreement (the "**Share Purchase Agreement**"), whereby Top Matrix agreed to purchase, and Plenty Gold agreed to sell, 42,300,000 Shares (representing 9% of the issued share capital of our Company) for a consideration of RMB12.766 per share or at a total purchase price of the U.S. dollar equivalent of RMB540 million (the "**NHC Acquisition**"). On 6 August 2010, the NHC Acquisition was completed upon payment of the purchase price. Top Matrix is a company incorporated and existing under the laws of the British Virgin Islands and is a wholly-owned subsidiary of New Horizon Capital III L.P. ("**NHC**"). NHC is a private equity fund incorporated and registered in the Cayman Islands, focusing on equity investment in the PRC.

As a result of the NHC Acquisition, the shareholding in our Company became as follows:

Shareholder	Approximate shareholding percentage
Plenty Gold	78.7%
Dr. Che	1.6%
Dr. Guo	0.7%
MSPEA Pharma BV	10.0%
Top Matrix	9.0%
Total	100.0%

Upon completion of the NHC Acquisition, the parties to the Share Purchase Agreement, together with MSPEA Pharma BV and our Company, entered into a shareholders agreement (the "**Shareholders Agreement**") pursuant to which:

(a) the number of directors constituting the board of directors of our Company would be seven, including four nominees of Plenty Gold, two nominees of MSPEA Pharma BV and one nominee of Top Matrix. Pursuant to this clause in the Shareholders' Agreement, Mr. Eddy Huang and Ms. Wang Xin were appointed as non-executive Directors of our Company on 5 August 2010 and 6 August 2010, respectively, in addition to the then existing members of our Board;

(b) each of MSPEA Pharma BV and Top Matrix was given various rights, including (i) a right of first offer if any of Plenty Gold and the Individual Shareholders proposes to transfer any Shares, and (ii) tag-along rights if any of Plenty Gold and the Individual Shareholders proposes to transfer any Shares to persons permitted under the Shareholders Agreement;

(c) restrictions were imposed on each of MSPEA Pharma BV and Top Matrix restricting them from investing in companies which are in competition with the Group's business;

(d) MSPEA Pharma BV and Top Matrix were given customary minority shareholders' rights such as pre-emptive rights, nomination rights, reserved matters, information rights and minority protection rights; and

(e) the parties to the Shareholders Agreement undertook to use their commercially reasonable best efforts to achieve listing of the Company on certain qualified stock exchanges within a specified period. MSPEA Pharma BV has certain put rights against the Company.

The pricing of the NHC Acquisition was agreed to by Plenty Gold and NHC in April 2010. The valuation was determined based upon the typical private equity investment methodology for a private company, including price-to-earning ratio and cash flow analysis. The transaction documents for the NHC Acquisition were entered into in July 2010. The investment risks that Top Matrix was subject to when acquiring the Shares of our Company from Plenty Gold in July 2010 were different from the risks which the investing public would be subject to in the context of the Global Offering. The price that Top Matrix paid reflected the illiquidity of the Shares, the historical financial performance of our Group, the strategic value added by Top Matrix to our Company, the bargaining positions of the parties at that time and the uncertainty of the Global Offering at that time.

Plenty Gold and our Controlling Shareholders believed that the investment by Top Matrix would expand the Company's shareholding base and help the Company to grow through strategic acquisitions, especially in the process of identifying potential targets within the PRC. The strategic value brought by NHC was duly recognised by us and our Controlling Shareholders.

In considering our application for the Listing, the Stock Exchange expressed concerns over the timing of the NHC Acquisition and the magnitude of investment risk assumed by Top Matrix in undertaking the NHC Acquisition. In particular, given that NHC settled the consideration at a relatively late stage of the Listing application, there was a concern whether the principles of Rule 2.03

of the Listing Rules had been fully observed. In order to address such concerns and to facilitate the Listing process, we requested that the NHC Acquisition be unwound. To this end, Top Matrix and Plenty Gold entered into the arrangements described in the Repurchase Agreement and the Termination Deed, each of which is described below.

On 4 October 2010, the Individual Shareholders, Plenty Gold and Top Matrix entered into a share purchase agreement (the "**Repurchase Agreement**"), pursuant to which Top Matrix agreed to sell, and Plenty Gold agreed to purchase, 42,300,000 Shares (the "**Repurchase Shares**") for a total consideration of US$127,465,589, representing 160% of the total consideration paid by Top Matrix under the NHC Acquisition, to be paid by Plenty Gold in two installments of US$73,764,808 (the "**First Installment**") and US$53,700,781 (the "**Second Installment**"), respectively (the "**Repurchase**"). Such consideration was determined after arm's-length negotiations between Plenty Gold and Top Matrix. Pursuant to the Repurchase Agreement, the First Installment will be paid on the business day immediately prior to the Listing Date, and the Second Installment will be paid on or prior to 8 August 2011. The legal and beneficial title of the Repurchase Shares will be transferred from Top Matrix to Plenty Gold upon the payment of the First Installment (the "**Repurchase Closing Date**").

As the Repurchase Agreement was entered into during the restricted period under Rule 9.09(b) of the Listing Rules relating to dealings in securities by connected persons of a listing applicant, our Company has applied for, and the Stock Exchange has granted, a waiver from compliance with Rule 9.09(b) of the Listing Rules.

In connection with the Repurchase Agreement, it is expected that the Individual Shareholders, Plenty Gold, MSPEA Pharma BV, Top Matrix and our Company will be entering into a deed of termination (the "**Termination Deed**") on the Repurchase Closing Date, pursuant to which each of the parties thereto will agree that Top Matrix will cease to be a party to the Shareholders Agreement on the Repurchase Closing Date and will have no rights and obligations thereunder. Furthermore, it is expected that Top Matrix will further confirm in the Termination Deed that it has no outstanding rights or claims, and it thereby waives all rights and claims, against each of the other parties under the Shareholders Agreement and each of Plenty Gold, the Individual Shareholders and MSPEA Pharma BV will confirm that it/he has no outstanding rights or claims, and it/he thereby waives all rights and claims, against Top Matrix under the Shareholders Agreement.

Ms. Wang Xin, being the representative of Top Matrix on our Board appointed in accordance with the Shareholders Agreement, will cease to be a Director of our Company on the Repurchase Closing Date.

The rights of MSPEA Pharma BV in the Shareholders Agreement as set out above will be terminated upon Listing. In particular, the non-executive Directors of our Company who are representatives appointed by MSPEA Pharma BV pursuant to the Shareholders' Agreement will be subject to re-election at the next annual general meeting of our Company.

On 7 October 2010, Trustee Co was incorporated as a private trust company in the British Virgin Islands. Certain Shareholders of our Company, namely Plenty Gold, Dr. Che and Dr. Guo, will transfer 41,212,900 Shares, 75,200 Shares and 32,900 Shares respectively (the "**Reserve Shares Transfer**") to Trustee Co prior to Listing. Such Shares are intended to be the trust assets for a management incentive scheme which Shareholders including Plenty Gold, Dr. Che and Dr. Guo will collectively

adopt before Listing for the benefit of senior management employees (excluding Directors) for the purpose of incentivising and rewarding the senior management employees of our Company after Listing. Further details relating to this management incentive scheme is contained in the section headed "Directors, Senior Management and Employees - Management Incentive Scheme".

As a result of the Reserve Shares Transfer, the shareholding in our Company will become as follows:

Shareholder	Approximate shareholding percentage
Plenty Gold	77.8%
Dr. Che	1.6%
Dr. Guo	0.7%
MSPEA Pharma BV	10.0%
Top Matrix	9.0%
Trustee Co.	0.9%
Total	100.0%

Upon the transfer of the Repurchase Shares on the Repurchase Closing Date, the shareholding in our Company will become as follows:

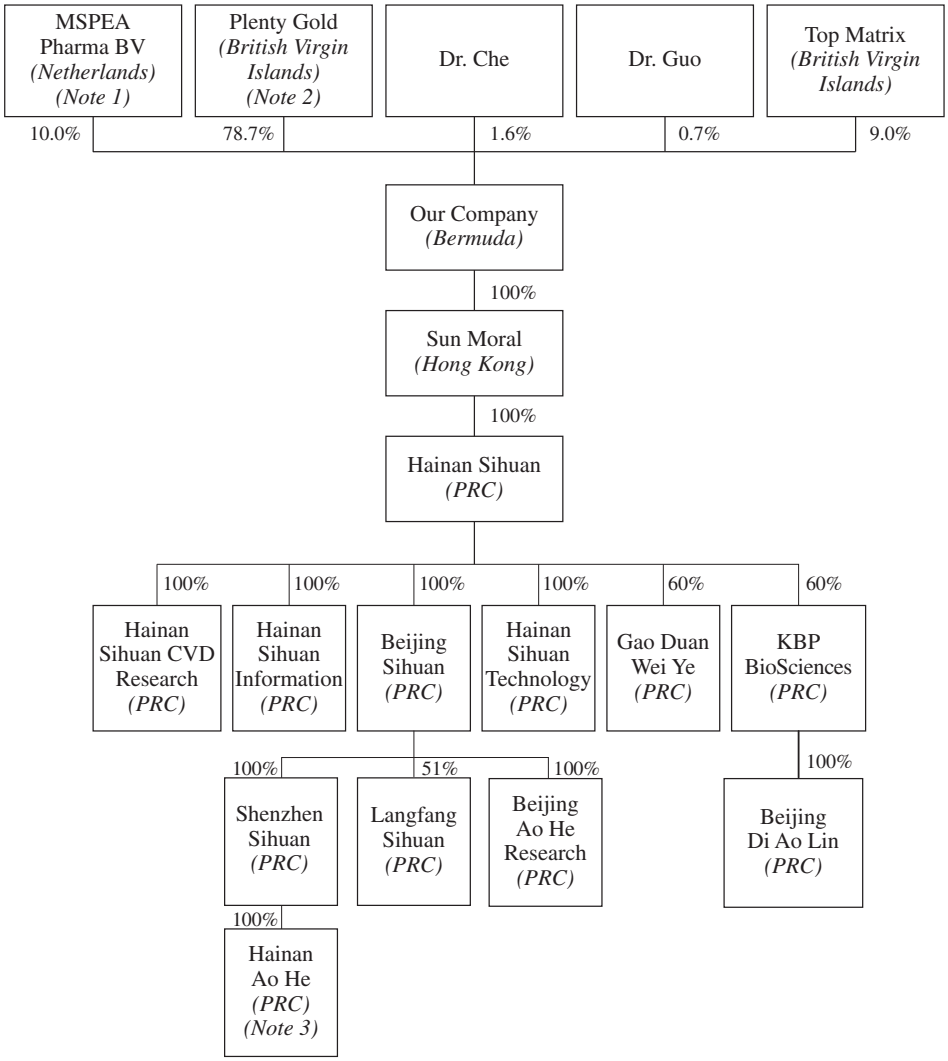
Shareholder	Approximate shareholding percentage
Plenty Gold	86.8%
Dr. Che	1.6%
Dr. Guo	0.7%
MSPEA Pharma BV	10.0%
Trustee Co	0.9%
Total	100.0%

Upon completion of the Global Offering (assuming that the Over-Allotment Option is not exercised), our Company will have in issue a total of 5,000,000,000 Shares, which will be owned as follows:

Shareholder	Approximate shareholding percentage
Plenty Gold	65.1%
Dr. Che	1.2%
Dr. Guo	0.5%
MSPEA Pharma BV	7.5%
Trustee Co	0.7%
Public	25.0%
Total	100.0%

SHAREHOLDING AND GROUP STRUCTURE

The following chart sets out the approximate shareholding percentages and corporate structure of our Company as at the Latest Practicable Date:



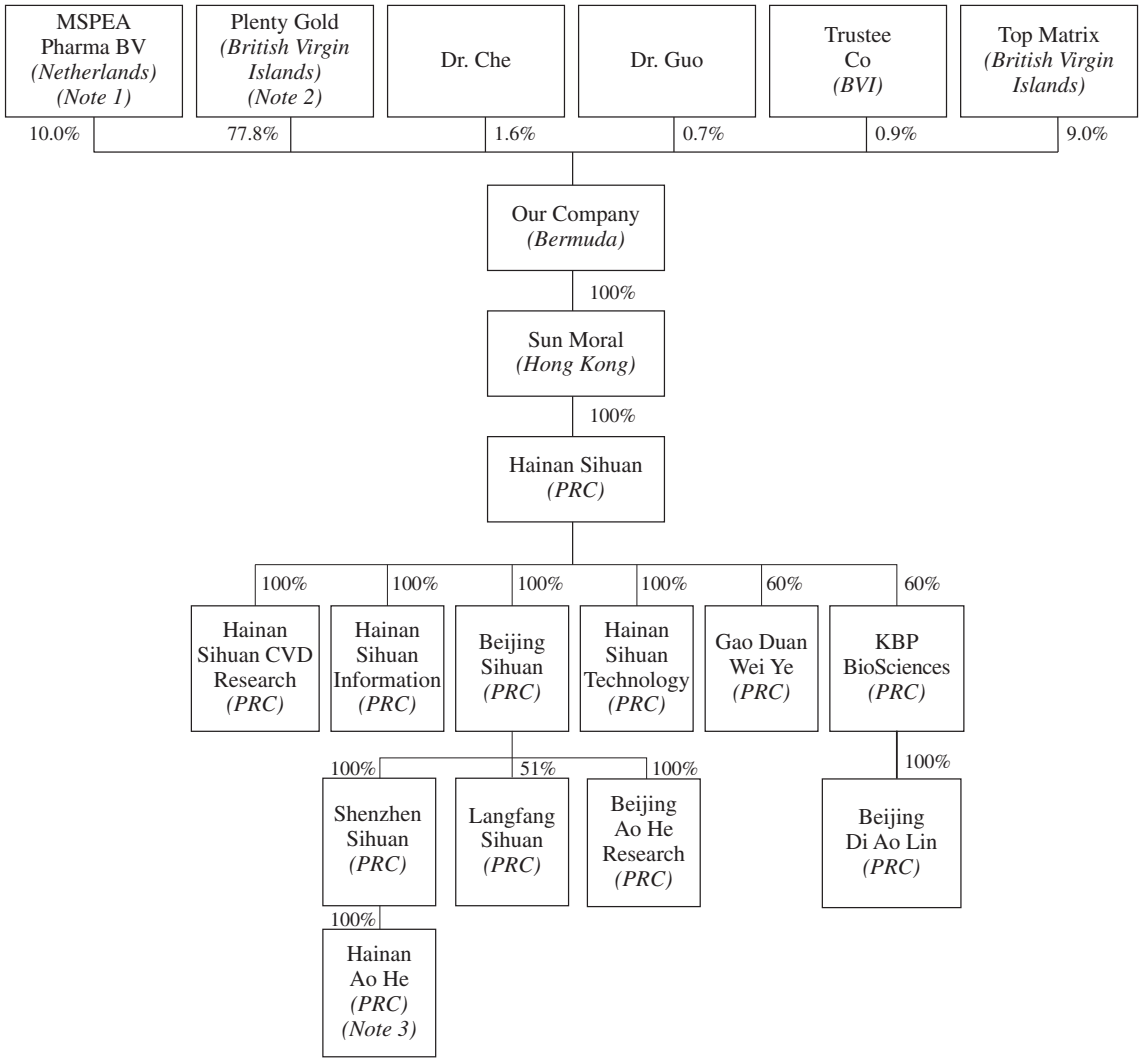
Notes

(1) MSPEA Pharma BV is a private limited liability company established under Dutch law and is wholly-owned by MSPEA III Coop. MSPEA III Coop is a cooperative established under Dutch law and is wholly-owned by MSPEA III Cayman. MSPEA III Cayman is an exempted company incorporated in Cayman Islands with limited liability and is controlled by MSPEA III, a fund managed by the private equity arm of Morgan Stanley. The general partner of MSPEA III is MSPEA III GP, the managing member of which is MSPEA III Inc., an investment advisor registered with the U.S. Securities and Exchange Commission and which is an indirectly wholly-owned subsidiary of Morgan Stanley.

(2) Plenty Gold is owned as to approximately 51% by Dr. Che, approximately 25% by Dr. Guo, approximately 11% by Mr. Meng, approximately 10.14% by Dr. Zhang and approximately 2.86% by Mr. Huang.

(3) Please refer to the paragraph headed "Collaboration in relation to Hainan Ao He" in this section for details relating to a cooperation framework agreement amongst Shenzhen Sihuan and two independent third parties, namely Zhu Xiaowu (朱小伍) and Li Gang (李剛), pursuant to which the parties agreed to enter into collaboration in relation to Hainan Ao He and future disposal of 61% of Shenzhen Sihuan's shareholding in Hainan Ao He to Zhu Xiaowu (朱小伍) and Li Gang (李剛).

The following chart sets out the approximate shareholding percentages and corporate structure of our Company upon the completion of the Reserve Shares Transfer:



Notes:

(1) MSPEA Pharma BV is a private limited liability company established under Dutch law and is wholly-owned by MSPEA III Coop. MSPEA III Coop is a cooperative established under Dutch law and is wholly-owned by MSPEA III Cayman. MSPEA III Cayman is an exempted company incorporated in Cayman Islands with limited liability and is controlled by MSPEA III, a fund managed by the private equity arm of Morgan Stanley. The general partner of MSPEA III is MSPEA III GP, the managing member of which is MSPEA III Inc., an investment advisor registered with the U.S. Securities and Exchange Commission and which is an indirectly wholly-owned subsidiary of Morgan Stanley.

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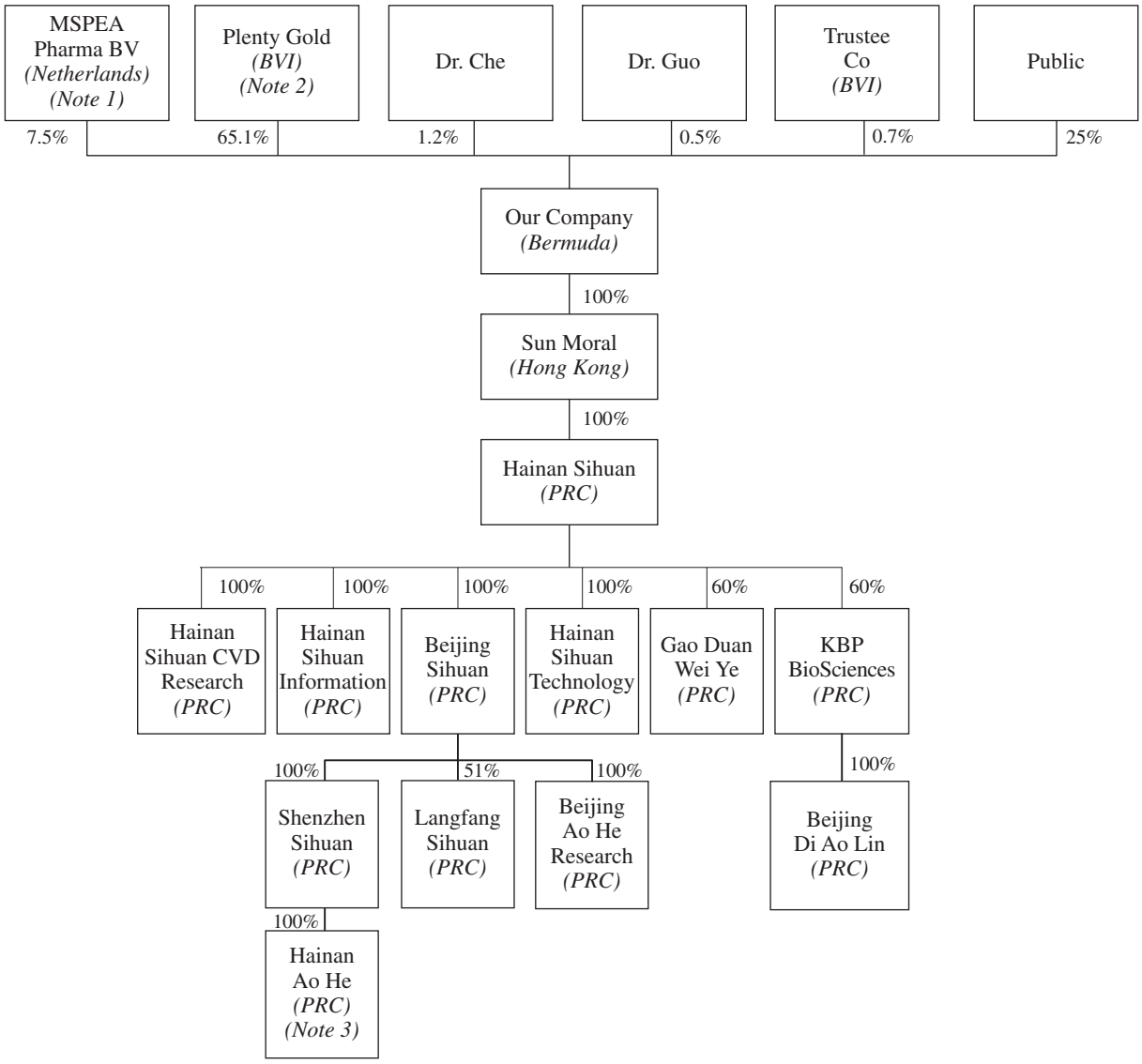
The following chart sets out the approximate shareholding percentages and corporate structure of our Company immediately following the Global Offering (assuming the Over-Allotment Option is not exercised):



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(1) MSPEA Pharma BV is a private limited liability company established under Dutch law and is wholly-owned by MSPEA III Coop. MSPEA III Coop is a cooperative established under Dutch law and is wholly-owned by MSPEA III Cayman. MSPEA III Cayman is an exempted company incorporated in Cayman Islands with limited liability and is controlled by MSPEA III, a fund managed by the private equity arm of Morgan Stanley. The general partner of MSPEA III is MSPEA III GP, the managing member of which is MSPEA III Inc., an investment advisor registered with the U.S. Securities and Exchange Commission and which is an indirectly wholly-owned subsidiary of Morgan Stanley.

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Unless specified otherwise, information relating to market share, market position and other industry data pertaining to our business contained in this section is derived from the IMS Report.

OVERVIEW

We are a leading pharmaceutical company with the largest cardio-cerebral vascular drug franchise in the PRC in terms of market share, accounting for approximately 7.2%, 7.3% and 7.4% of the market in 2007, 2008 and 2009, respectively. We have a differentiated and proven sales and marketing model, supported by an extensive nationwide distribution network covering close to 10,000 hospitals through over 2,000 distributors in all 31 provinces, autonomous regions and cities throughout the PRC. We have strong research and development capabilities, which focus on the development of innovative and first-to-market generic drugs. We also have a proven track record of identifying, acquiring and developing market-leading drugs.

We offer a portfolio of 14 cardio-cerebral vascular drugs, which are used for the treatment of a range of cardio-cerebral vascular diseases. There are five main sub-segments of cardio-cerebral vascular drug market. We focus on two out of the five main sub-segments of the cardio-cerebral vascular drug market: cerebral and peripheral vascular therapies and CNS agents for cardio-cerebral vascular diseases. Our best selling cardio-cerebral vascular drugs, Kelinao, Anjieli and Chuanqing, collectively accounted for approximately 17.1% of the cerebral and peripheral vascular therapies market, the largest sub-segment of the cardio-cerebral vascular drug market, in the PRC in 2009. In particular, Kelinao and Anjieli have collectively ranked first among all drugs sold in hospitals in the PRC every year since 2007. Kelinao and Anjieli are currently the only SFDA-approved drugs containing the active ingredient of cinepazide maleate in the PRC. We received 20-year patent protection for each of the synthesis process, the improved production method and the invention and production method of the crystal of cinepazide maleate in the PRC in 2004, 2006 and 2008, respectively. In addition, Chuanqing, another flagship cardio-cerebral vascular product, is the best selling ligustrazine for injection drug in the PRC in terms of market share in 2009. We also offer several CNS drugs for cardio-cerebral vascular disease, including Qu'Ao, Aogan and Qingtong. In particular, Qu'Ao ranked second in the cerebroprotein hydrolysate market in the PRC in 2009. We launched Aogan and Qingtong in 2008 and 2009, respectively, and they have quickly gained market share in their respective markets. We also market and sell a diversified portfolio of 30 anti-infective and other drugs which, combined with our cardio-cerebral vascular drugs, cover the top five medical therapeutic areas in the PRC in 2009. The majority of our products either enjoy leading market positions, or we believe are poised to grow rapidly in their respective markets.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, sales of our cardio-cerebral vascular drugs amounted to RMB235.6 million, RMB401.4 million, RMB560.6 million and RMB393.0 million, respectively, accounting for 82.3%, 78.7%, 79.1% and 83.0% of our total revenue, respectively. Sales of our anti-infective drugs amounted to RMB17.3 million, RMB46.2 million, RMB55.5 million and RMB30.7 million, respectively, accounting for 6.0%, 9.1%, 7.8% and 6.5% of our total revenue, respectively. Sales of our other pharmaceutical products amounted to RMB33.4 million, RMB61.2 million, RMB84.8 million and RMB49.1 million, respectively, accounting for 11.7%, 12.0%, 12.0% and 10.4% of our total revenue, respectively. In particular, we rely on the sales of Kelinao and Anjieli, which accounted for 66.5%, 60.1%, 57.3% and 57.7% of our total revenue in the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively.

The pharmaceutical products marketed and sold by us are either our products that are developed by us independently or jointly with third-parties or acquired by us, or third-party products owned and manufactured by third-party pharmaceutical companies and distributed by us under distribution agreements. During the Track Record Period, our product development was focused on first-to-market generic drugs, which we developed independently or jointly with other third-party research institutions at different stages of product development before obtaining the manufacturing permits. We also acquire products for which the manufacturing permits have already been obtained by third parties. We also seek to conduct research and development to improve the quality, efficacy and safety of the products we acquired. During the Track Record Period, we successfully developed 13 products, acquired and further developed 19 products and obtained nationwide distributorship rights over 12 products. The majority of our sales were contributed by the product developed by us. The following table sets forth the contribution to revenue of our products by product source for the periods indicated:

Revenue (by product source)	**For the year ended 31 December**						**For the six months ended 30 June**			
	2007		**2008**		**2009**		**2009**		**2010**	
							(unaudited)			
	RMB '000	**%**	**RMB '000**	**%**	**RMB '000**	**%**	**RMB '000**	**%**	**RMB '000**	**%**
Developed by us [(1)]	255,436	89.2	423,123	83.0	549,875	77.6	253,017	78.5	359,110	75.9
Acquired by us	28,996	10.1	76,375	14.9	115,743	16.3	52,465	16.3	75,004	15.8
Distributorship	1,917	0.7	10,550	2.1	43,289	6.1	16,912	5.2	39,323	8.3
Total	286,349	100.0%	510,048	100.0%	708,907	100.0%	322,394	100.0%	473,437	100.0%

Note:

(1) Including products developed solely by us or jointly with third parties. We own the relevant intellectual property rights to these products, including licencing revenue.

In the future, we intend to continue combining our research and development strength to originate and develop new products and the strength of identifying, acquiring and improving target products to add more products that we believe have attractive commercial potential and are complementary to our existing product portfolio.

Our sales model has proven to be highly successful and cost-efficient, and has enabled us to rapidly achieve deep market penetration in an effective manner. We differentiate ourselves from those other market players who maintain an in-house marketing and promotion team at high costs and those who outsource their marketing and promotion activities entirely, and hence have no control of the distribution network. We believe that our marketing strategy and extensive sales and distribution network are difficult to replicate and represent a significant competitive advantage. We have an extensive nationwide sales and distribution network of over 2,000 distributors covering all 31 provinces, autonomous regions and cities throughout the PRC. These distributors are supported by sales representatives who are given dedicated responsibility to promote the sale of or solicit customers for our products. The sales representatives consist of independent third parties and individuals employed by the distributors. The sales representatives also keep us generally informed of the conditions of the market, activities of our competitors, and other circumstances important to the

marketing of our products. We have a contractual arrangement with the majority of such third-party sales representatives to monitor their performance. As of the Latest Practicable Date, our distribution network has penetrated into close to 10,000 hospitals, including 890 or approximately 70% of all Class III hospitals, 3,600 or approximately 55% of all Class II hospitals and 5,400 Class I and other hospitals and medical institutions in the PRC. Sales to distributors account for substantially all of our revenue.

Our distribution network is managed and supported by an in-house team of 278 dedicated sales and product managers, the majority of whom hold professional qualifications in medicine and pharmacy. Our product managers are responsible for determining product positioning, formulating marketing strategies, maintaining a network of key opinion leaders and organising seminars and conferences to promote awareness and knowledge of our products. Our sales managers are responsible for the management and expansion of our distribution network. We believe that our distributors and third-party sales representatives have a deep understanding of their local markets and have established sales channels with local hospitals and physicians, and therefore can effectively promote our products.

We have two leading research and development teams composed of 333 personnel who focus on developing innovative drugs and first-to-market generic drugs, respectively. Our key research scientists on average have over 10 years of drug development experience from their tenures at multinational pharmaceutical companies and have expertise in areas encompassing both drug discovery and development, such as medicinal chemistry, biological assays, pharmacology, toxicology, chemical synthesis and scale-up and clinical trials. We employ a market-driven approach to selecting research and development targets that have the potential for gaining widespread market acceptance or becoming best-in-class among similar products on the market. We also collaborate with leading research institutions, universities and hospitals in the PRC to broaden our access to proprietary drugs while minimising upfront costs and risks associated with early-stage product development.

Since our establishment, we have been able to successfully develop and bring to market 13 pharmaceutical products, all of which were well accepted and achieved leading positions in their markets. Currently, we have over 30 product candidates in various stages of development for the treatment of cardio-cerebral vascular diseases, central nervous system diseases, infections, cancer and other diseases. Ten of these product candidates are innovative drugs. Among these product candidates, four products have finished, or are currently in, the clinical trial stage and are expected to be launched within the next four years. Our commitment to research and development is demonstrated through our substantial research and development spending which amounted to, on average, approximately 10% of our total revenue from 2007 to 2009.

We operate six integrated production lines, two for producing small volume liquid for injection, one for producing lyophilised powder for injection and three for producing oral solid medicines, including tablets, capsules and granules. All of our production facilities are GMP certified by the SFDA and adhere to stringent and closely monitored quality assurance and quality control processes. We outsource the manufacture of APIs for certain products to third-party manufacturers, who are also required to comply with our quality standards and GMP standards. We intend to expand our production capacities and capabilities to meet the increasing demand for our products and increase in-house production of additional key APIs required to manufacture our products. We believe this will allow us to better control the quality and cost of our products.

Substantially all of our products are included in the National and Provincial Medicine Catalogue and National List of Essential Drugs. They are subject to price controls by the government in the form of fixed retail prices or maximum retail prices. Even though we do not sell our drugs at retail prices, these controls may indirectly affect the wholesale prices of our products.

We have experienced significant growth in our business in recent years. For the years ended 31 December 2007, 2008 and 2009, our revenue was RMB286.3 million, RMB510.0 million and RMB708.9 million, respectively, representing a CAGR of 57.4% over the period. For the same period, our net profit was RMB178.8 million, RMB233.4 million and RMB313.7 million, respectively, representing a CAGR of 32.5% and our net profit attributable to our equity holders was RMB179.3 million, RMB237.1 million and RMB326.3 million, respectively, representing a CAGR of 34.9%. For the six months ended 30 June 2010, our revenue was RMB473.4 million, our net profit was RMB247.4 million and our net profit attributable to our equity holders was RMB254.8 million.

OUR STRENGTHS

We believe that we have the following principal strengths:

Leading cardio-cerebral vascular drug franchise in the PRC

We have a portfolio of leading cardio-cerebral vascular drugs. We have consistently ranked first in the cardio-cerebral vascular drug market in the PRC since 2007 in terms of market share, ahead of leading multinational pharmaceutical companies such as Sanofi-Aventis and Pfizer. Further, we marketed and sold three out of the top five cardio-cerebral vascular molecules in terms of market share in the PRC in 2009. Our cardio-cerebral vascular drugs, Kelinao, Anjieli and Chuanqing, collectively, had a 17.1% market share of the cerebral and peripheral vascular therapies market in 2009. In fact, Kelinao and Anjieli have collectively ranked first among all drugs sold in hospitals in the PRC every year since 2007. Kelinao and Anjieli are currently the only SFDA-approved drugs containing cinepazide maleate as an active ingredient in the PRC, and are protected by three patents in respect to their crystal type, synthesis process and production method. Benefiting from its proprietary formulation and patent protection, Chuanqing is the best selling ligustrazine for injection drug in the PRC in terms of market share, accounting for approximately 58.1% of the total ligustrazine products sold in the PRC in 2009. Qu'Ao, our CNS drug for cardio-cerebral vascular diseases, ranked second in the cerebroprotein hydrolysate market in the PRC in 2009. We also launched Aogan and Qingtong in 2008 and 2009, respectively, and since then, they have been quickly gaining market share in their respective markets.

We believe that our position as a leader in the cardio-cerebral vascular market has provided us with strong brand recognition among neurologists and cardiologists in the PRC. We believe that these relationships will drive future growth for Kelinao, Anjieli and Chuanqing as well as future sales of our portfolio of other cardio-cerebral vascular drugs prescribed by neurologists and cardiologists.

Extensive nationwide sales and distribution network supported by strong sales and marketing capabilities

We have established an extensive nationwide sales and distribution network covering close to 10,000 hospitals through over 2,000 distributors in all 31 provinces, autonomous regions and cities throughout the PRC. As of the Latest Practicable Date, our network has penetrated into 890 or

approximately 70% of all Class III hospitals, 3,600 or approximately 55% of all Class II hospitals and 5,400 Class I and other hospitals and medical institutions in the PRC. In addition, our products have reached county-level markets in certain densely populated provinces, such as Zhejiang, Guangdong and Henan.

Our distribution network is managed and supported by our 278 in-house sales and product managers, who seek to ensure the efficiency, productivity and stability of the network. The majority of our sales and product managers have professional qualifications in medicine and pharmacy. Our sales and product managers work closely with our distributors and third-party sales representatives by formulating the marketing and promotion strategies, setting sales targets and product mix, monitoring their performance and coordinating with them in the collective tender process. We prepare and provide marketing materials for our distributors and third-party sales representatives and conduct training on a regular basis for them, so that they are equipped with the necessary product knowledge to effectively market and sell our products and to ensure that accurate and consistent messages are delivered to physicians. We believe that our distributors and third-party sales representatives have a deep knowledge and understanding of their local markets and have established sales channels with local hospitals and physicians and can therefore effectively promote our products.

We generally conduct monthly reviews of the performance of our distributors and third-party sales representatives, and based on the results of our review, we can adjust their assigned target hospitals, forfeit or release performance deposits and extend or terminate the contracts of those who either out-perform or consistently fail to meet their sales target or violate company policies. We also closely monitor the inventory level of our distributors on a monthly basis through inspecting their sales records and collecting end-user feedbacks. Based on their performance and inventory level, we can adjust their sales targets to avoid accumulation of inventory at our distributors level. We also carry out various marketing activities throughout the PRC to promote the awareness and knowledge of our products in the industry. During the Track Record Period, we organised and sponsored more than 200 national and provincial medicinal or pharmaceutical conferences and organised over 2,000 symposiums and product seminars. Our sales model has proven to be highly successful and cost-efficient, and enables us to rapidly achieve deep market penetration in an effective manner. We believe our marketing strategy and extensive sales and distribution network are difficult to replicate and represent a significant competitive advantage because they are the culmination of a process of over a decade of searching for, identifying, negotiating with and selecting qualified distributors and third-party sales representatives in different regions across the country. Our sales model also requires a highly effective internal management system to control and support a distribution network of such a large scale. Over the years, we have also developed pricing strategies, which ensure that the profit margins of our products remain attractive to our distributors. In addition, the market-leading positions of several of our products and our strong product pipeline help retain our distributors.

A diversified portfolio of products targeting large and fast-growing therapeutic areas

We have a diversified portfolio of products targeting therapeutic areas with large demand for medical treatment. We have 44 products covering the top five medical therapeutic areas in the PRC: anti-infective, metabolism, cardiovascular system, oncology and nervous system. The aggregate market size of products in these five therapeutic areas amounted to RMB166.4 billion in 2009, accounting for approximately 81.8% of the overall pharmaceutical market in the PRC. These top five

areas are projected to continue to grow rapidly and reach RMB466.8 billion by 2014, representing a CAGR of 22.9% from 2009. We believe that our leadership in the cardio-cerebral vascular drug market has provided us with strong brand recognition that we can leverage to enhance our sales of products in other therapeutic areas and further diversify our existing product portfolio.

Proven track record of identifying, acquiring and developing market-leading products

We have a proven track record of successfully identifying, acquiring and developing market leading products through acquisitions, such as Aogan and Kanglixin. We obtained 19 out of 44 of our current products through acquisition. We have a dedicated team responsible for identifying and acquiring target products which we believe have attractive commercial potential and are complementary to our existing product portfolio. In addition, we conduct research and development to improve the quality, efficacy and safety of our acquired products to differentiate them from existing products in the market. We have also obtained nationwide exclusive distribution rights for certain products, leveraging our strong sales capabilities and extensive distribution network. Currently, 12 out of our 44 current products have been obtained through the acquisition of exclusive nationwide distribution rights.

Strong research and development capabilities

We have two leading research and development teams composed of 333 personnel, including 11 Ph.D. degree holders and 134 master's degree holders. We believe that we have one of the largest innovative drug development teams in the PRC with 289 personnel led by six key research scientists. On average these key research scientists have over 10 years of drug development experience from their tenures at multinational pharmaceutical companies. We also have a second team with 44 personnel focusing on the development of first-to-market generic drugs based on proven active ingredients with the potential to result in intellectual property rights in relation to formulation, production process, improved chemical attributes or delivery system.

In total, we have over 30 product candidates in various stages of development, including four products that have finished, or are currently in, the clinical trial stage and are expected to be launched within the next four years. Among these product candidates, 10 are innovative drugs and the others are generic drugs.

In addition, we collaborate with leading research institutions, universities and hospitals to further broaden our access to proprietary products, and minimise the upfront costs and risks associated with early-stage product development. Our commitment to research and development is demonstrated through our substantial research and development spending, which amounted to, on average, approximately 10% of our total revenue from 2007 to 2009.

We believe that the development and launch of proprietary products are important to our sustainable growth and future success. We employ a market-driven approach to selecting research and development projects, based upon commercial potential and the likelihood of successful development. We primarily target cardio-cerebral vascular, anti-infective and other areas including central nervous system, respiratory and oncology therapies, as we believe these therapeutic areas represent market segments with the largest medical needs in the PRC and are areas where we believe we have the greatest ability to realise commercialisation.

An experienced and committed management team

Our senior management has an average of 15 years experience in the PRC pharmaceutical industry. Our Chairman and CEO, Dr. Che, has more than eight years of experience as a neurologist and more than 17 years of experience in the sales and marketing of pharmaceutical products and management of pharmaceutical companies. Our vice-chairman, Dr. Guo, has more than four years of experience as a general surgeon and more than 17 years of experience in the sales and marketing of pharmaceutical products. Their experiences as physicians provide our senior management with insights into the needs of medical practitioners and patients and enable them to accurately identify product candidates with great market potential. In addition, our chief operating officer, Ms. Jia Zhongxin, has over 20 years of experience in the operation and management of pharmaceutical companies in the PRC. We have benefited from our management's deep understanding of the PRC pharmaceutical market and strong expertise in management, execution, marketing, sales, distribution and operations. Their professional connections have also helped us establish and strengthen our relationships with pharmaceutical manufacturers in the PRC. We believe that the quality and stability of our senior management are one of the key factors behind our success.

OUR STRATEGIES

Our goal is to consolidate our position as the leading cardio-cerebral vascular drug franchise in the PRC and to continue to grow our sales in other targeted high growth therapeutic areas. To achieve this goal, we will pursue the following strategies:

Continue to strengthen our cardio-cerebral vascular drug franchise and further diversify our product portfolio by increasing sales of drugs targeting other high growth therapeutic areas

We intend to strengthen our leading position in the cardio-cerebral vascular market and increase penetration of our existing products in the cardio-cerebral vascular drug market. We intend to increase the sales of our key cardio-cerebral vascular products through:

- promoting them to currently uncovered geographic areas;
- promoting them to more hospitals and medical institutions in covered geographic areas;
- promoting them to hospital departments where our products are less frequently prescribed;
- acquiring additional market leading products that are complementary to our existing product lines; and
- increasing the production capacities for our key cardio-cerebral vascular products.

We also plan to increase the awareness of our brands among key opinion leaders and medical practitioners by increasing the frequency and coverage of our marketing and promotion activities. Our position as a leader in the cardio-cerebral vascular drug market provides a basis for developing strong relationships with neurologists and cardiologists in the PRC. We believe that these relationships will drive future growth for our portfolio of cardio-cerebral vascular drugs.

Furthermore, as part of our effort to further diversify our product portfolio, we will continue to leverage our reputation and leadership in the cardio-cerebral vascular drug market, as well as our

existing distribution network, to increase sales of our drugs targeted at other high growth therapeutic areas. We will seek to focus on increasing sales of selected non-cardio-cerebral vascular drugs that we expect to have attractive market potential, such as sulbenicillin sodium for injection and oxcarbazepine tablets.

Extend our sales and distribution network and strengthen our marketing efforts

We will continue to extend our sales and distribution network, with a view to further increasing our market share and deepening our market penetration. We will continue working closely with our distributors and third-party sales representatives throughout the PRC to expand sales and marketing of our products to those regions and cities in which our network currently has limited or no presence. We also intend to recruit additional sales and marketing personnel to reach 500 sales and product managers and establish additional regional offices at strategic locations in the PRC to support the expansion of our distribution network. We are seeking to further penetrate into currently uncovered hospitals, as well as more departments in hospitals where we already have a presence. We aim to increase the coverage of Class III, Class II and Class I and other hospitals to 90%, 80% and 70% respectively, over the next five years. Given the geographical size of the PRC market, we consider it critical to establish long-term business relationships with our distributors and third-party sales representatives in different locations and to work closely with them to market and sell our products. We intend to improve our distributor support and management system to maintain and attract high quality distributors. Capitalising on our leading position in the cardio-cerebral vascular drug market, we will continue to maintain relationships with the hospitals and medical institutions to whom our distributors sell, and we also intend to continue organising and sponsoring seminars and conferences and undertaking other medical affairs to provide professional education specific to the therapeutic areas related to our products and explain the clinical applications, benefits and side effects of our products. We consider our active roles in such sales and marketing activities to be crucial, particularly in assisting our distributors and third-party sales representatives in providing accurate and consistent information on our products.

Continue to develop proprietary products and further strengthen our research and development capability

Our goal is to build the leading innovative drug development platform in the PRC. We will continue to leverage our extensive drug development experience and our relationship with research partners to develop new proprietary products with strong market potential. We will continue to execute on our existing drug pipeline, as well as make further investments in new research and development programs. We plan to launch four drugs complementary to our existing portfolio within the next four years. We plan to hire additional high caliber research and development personnel to expand our leading research and development team. In addition to focusing on the development of our product candidates, we may also explore other research and development opportunities through providing technology service, undertaking research and development projects for third parties and out-licensing our product candidates to other companies. We believe such technology projects can expand the vision and enhance the capabilities of our research and development teams, as well as increase the profitability of our research and development operation. Based on the needs of our research and development projects, we will purchase more advanced equipment and facilities. We believe that continual research and development investment is necessary to maintain a strong product portfolio, give us significant advantages over potential competitors.

Expand through acquisition, collaboration and joint ventures

We will continue to actively expand through selective acquisitions of products and technologies. In the near term, our acquisitions are likely to focus on the purchase or development of specific products or product lines to complement or expand our existing product portfolio. We intend to screen acquisition opportunities by focusing on products with substantial clinical evidence of safety and efficacy that can be effectively marketed and distributed using our existing personnel and networks. We may also expand our business by acquiring other businesses or companies. We will also seek suitable investments and business partnerships where opportunities arise, including establishing alliances and joint ventures with foreign and PRC-based pharmaceutical companies to further expand and strengthen our core business. We believe that this strategy will enable us to expand our strong market position and brand to cover a broader range of pharmaceutical products. We have allocated approximately 30% of the net proceeds of this offering to enable us to achieve this strategy.

Expand and enhance our production capacity and capability

We plan to increase our production capacity and capability by constructing new production facilities and acquiring additional production equipment, which we believe will enhance our production flexibility and reduce reliance on third-party manufacturers. Further, we intend to continue enhancing our production quality and know-how by upgrading our production facilities to the new GMP standards and selectively to EU or US FDA standards. We believe that having production facilities that exceed national standards and meet international standards can better position us in the tender process for our products.

Currently, we have two planned production facilities. One is located in Langfang, Hebei province and is mainly for the manufacture of APIs and is expected to commence production in the first half of 2011. The other facility is located in Beijing and is mainly for the manufacture of lyophilised powder for injection and small volume liquid for injection, and is expected to commence production in late 2012. Upon completion of the construction of these two facilities, we expect to increase our annual production capacity by 100 million vials of lyophilised powder for injection, 10 million vials of sterile powder for injection, 300 million vials of small volume liquid for injection and 30 tons of APIs. We have allocated approximately 15% of the net proceeds of this offering for funding the capital expenditures required for the construction of the two production facilities.

We will continue to develop new, or improve existing, production techniques to enhance product quality and manufacturing efficiency. We believe that the foregoing efforts will increase our vertical integration, secure steady supply of APIs, reduce production costs and enhance our quality control.

OUR PRODUCTS

We currently market and sell 44 prescription drugs in different formulations and dosages. All the drugs that are currently marketed and sold by us are prescription drugs. Additionally, we have also obtained drug manufacturing permits from the SFDA to manufacture and sell 33 other pharmaceutical products.

The following table sets forth the major therapeutic areas of our current products and the number of products for each therapeutic area:

Product Category	Total Number of Products
Cardio-cerebral vascular	14
Anti-infective	11
Others	19
CNS	4
Oncology	6
Respiratory system	1
Metabolism system	3
Others	5
Total:	**44**

The following table sets forth the details of our major products:

Product Name	Year of Launch	Major Usage	Developed by the Group	Obtained through acquisition	Distributed by the Group under nationwide distribution agreements[2]	Expiration Date of Manufacturing Permit	Manufactured by the Group	Manufactured by third-party subcontracting manufacturers	Expiration Date of Patent Protection
Kelinao, Anjieli (Cinepazide Maleate Injection)	2003/ 2006	Cardio-cerebral Vascular	Yes	—	—	7 October 2015	Yes	—	22 November 2024 20 July 2026 23 April 2028
Chuanqing[1] (Ligustrazine Hydrochloride for Injection)	2003	Cardio-cerebral Vascular	Yes	—	—	1 June 2008	—	Yes	12 October 2026
Qu'Ao[1] (Cerebroprotein Hydrolysate for Injection)	2005	Cardio-cerebral Vascular	Yes	—	—	24 June 2010	—	Yes	12 October 2026
Aogan (Monosialotetrahexosylganglioside Sodium for Injection)	2008	Cardio-cerebral Vascular	—	Yes	—	23 March 2013	Yes	—	
Qingtong (Edaravone Injection)	2009	Cardio-cerebral Vascular	—	—	Yes	11 Sept 2013	—	—	
Kanglixin, Xiboao[1] (Cefpiramide sodium for Injection)	2004	Anti-infective	—	Yes	—	3 June 2009	—	Yes	6 July 2024
Anjiejian (Cefmenoxime Hydrochloride for Injection)	2007	Anti-infective	—	—	Yes	3 Jan 2012	—	—	
Pojia (Sulbenicillin Sodium for Injection)	2009	Anti-infective	—	—	Yes	4 March 2011	—	—	

Product Name	Year of Launch	Major Usage	Developed by the Group	Obtained through acquisition	Distributed by the Group under nationwide distribution agreements(2)	Expiration Date of Manufacturing Permit	Manufactured by the Group	Manufactured by third-party subcontracting manufacturers	Expiration Date of Patent Protection
Zhuo'Ao, Bi'Ao (Ambroxol Hydrochloride for Injection)	2006	Respiratory System	—	Yes	—	27 Feb 2011	—	Yes	
Naloxone Hydrochloride Line	2005	CNS	Yes	—	—	10 Oct 2015	Yes	—	
Xinpuao (Naloxone Hydrochloride for Injection)	2006	CNS	Yes	—	—	27 April 2011	Yes	—	
Ren'Ao (Oxcarbazepine Tablets)	2006	CNS	Yes	—	—	10 August 2015	Yes	—	

Notes:

(1) The manufacturing permits for these products have expired as at the Latest Practicable Date. We have not yet obtained new manufacturing permits for these products because the re-registration procedures in the PRC are currently ongoing. According to a notice issued by SFDA on 9 March 2007 (《關於開展藥品再註冊受理工作有關事宜的通知》食藥監辦[2007]42號), a notice issued by SFDA on 31 July 2009 (《關於做好藥品再註冊審查審批工作的通知》國食藥監註[2009]387號) and a notice issued by SFDA on 29 September 2010 (《關於做好藥品再註冊審查審批工作的補充通知》國食藥監註[2010]394號), the manufacturing permits for these products can be used during the re-registration period. Our PRC counsel has confirmed that we have submitted the applications to renew the manufacturing permits in accordance with the applicable PRC laws and regulations and that they are not aware of any legal impediment to re-registering the manufacturing permits. Since the re-registration applications have been submitted and accepted, our PRC counsel has confirmed that manufacturing permits for such products will, pending the re-registration procedures, continue to be used during such period notwithstanding their expiry and the risk of not being able to obtain the re-registration is remote.

(2) Developed and/or manufactured by third-party manufacturers.

Revenue from sales of the above major products was RMB245.3 million, RMB432.1 million, RMB623.6 million and RMB434.3 million for the three years ended 31 December 2007, 2008 and 2009, and the six months ended 30 June 2010, respectively.

Cardio-cerebral vascular drugs

We mainly engage in the research, manufacturing, marketing and sales of cardio-cerebral vascular drugs. As of the Latest Practicable Date, we market and sell 14 cardio-cerebral vascular drugs, several of which, namely Kelinao, Anjieli, Chuanqing and Qu'Ao, are among the leading products in their respective therapeutic areas in terms of market share.

Our main product portfolio focuses on the two main sub-segments of the cardio-cerebral vascular drug market: cerebral and peripheral vascular therapies and CNS agents for cardio-cerebral vascular diseases. The size of these two markets in the PRC was estimated at RMB10.4 billion and RMB5.3 billion in 2009, respectively, representing a CAGR of 24.0% and 29.2% since 2005.

The following table sets forth the contribution to revenue of our top cardio-cerebral vascular drugs during the Track Record Period.

	For the year ended 31 December						For the six months ended 30 June			
Revenue (by Product)	**2007**		**2008**		**2009**		**2009**		**2010**	
	RMB '000	**% of Revenue**	**RMB '000**	**% of Revenue**	**RMB '000**	**% of Revenue**	**RMB '000**	**% of Revenue**	**RMB '000**	**% of Revenue**
Cardio-cerebral vascular drugs										
Kelinao	177,505	62.0	258,822	50.8	330,864	46.7	148,203	46.0	215,899	45.6
Anjieli	13,010	4.5	47,523	9.3	75,252	10.6	35,606	11.0	57,018	12.1
Chuanqing	29,140	10.2	49,580	9.7	63,080	8.9	29,554	9.2	41,809	8.8
Qu'Ao	4,581	1.6	23,126	4.5	37,176	5.2	19,369	6.0	24,303	5.1
Aogan	—	—	1,775	0.4	22,837	3.2	7,877	2.4	31,277	6.6
Qingtong	—	—	—	—	12,383	1.8	4,342	1.4	12,746	2.7
Others	11,349	4.0	20,539	4.0	19,029	2.7	9.849	3.0	9,956	2.1
Total	**235,585**	**82.3**	**401,365**	**78.7**	**560,621**	**79.1**	**254,800**	**79.0**	**393,008**	**83.0**

Below are some of our key cardio-cerebral vascular products:

Kelinao and Anjieli (克林澳 and 安捷利) (cinepazide maleate injection) (馬來酸桂哌齊特注射液)

Our two key products are Kelinao and Anjieli, both of which contain the active ingredient cinepazide maleate in injection form. Kelinao and Anjieli are produced in 80mg and 320mg dosages, respectively. Cinepazide maleate is commonly used in stroke therapy in China. It increases blood flow to the brain and acts as a neuro protectant. It is used in the treatment of cardio-cerebral vascular diseases, such as cerebral arteriosclerosis, transient cerebral ischemic attack, cerebral thrombosis, cerebral embolism, cerebral hemorrhage residual, coronary artery disease, angina and myocardial infarction, as well as peripheral blood vessel diseases. As a result of its mild calcium antagonising effect, cinepazide maleate improves the blood supply to the ischemic tissues by selectively reducing the flow of calcium to the vascular smooth muscle, resulting in less contraction of the smooth muscle, and therefore an increase in arterial diameter without causing calcium antagonist-induced hypotension. At the same time, due to its enhancing effect on adenosine, cinepazide maleate can effectively protect nerve cells and myocardial cells. Cinepazide maleate injection is currently listed in the National Medicine Catalogue.

Cinepazide maleate was one of the leading molecules in the cerebral and peripheral vascular therapies market, accounting for 14.4% in terms of market share in 2009. The size of the PRC cinepazide maleate market was estimated at RMB1.5 billion in 2009, compared with RMB195.4 million in 2005, representing a CAGR of 66.1%. Kelinao and Anjieli currently are the only SFDA approved drugs containing the active ingredient of cinepazide maleate in the PRC. In fact, Kelinao and Anjieli collectively have ranked first among all drugs sold in hospitals in the PRC every year since 2007. Kelinao was sold in approximately 2,500 hospitals in 29 provinces across the PRC in 2009. Since 2003, over 80 million vials of Kelinao and Anjieli have been sold in the PRC. No severe side effects associated with the use of Kelinao or Anjieli have been reported by the National Center for ADR Monitoring.

We obtained the new medicine certificate and manufacture permit for Kelinao in 2002, and commercially launched the product in the PRC in 2003. We obtained the manufacture permit for Anjieli in July 2006 and the product was launched in the same year. Anjieli provides physicians with greater flexibility in prescribing cinepazide maleate depending on the patient's profile or the clinical settings.

We are aware of certain cases of suspected side effects in relation to the use of cinepazide maleate products in certain overseas markets in the 1980's and 1990's. Six cases of agranulocytosis were reported in France between 1981 and 1987, six cases were reported in Spain between 1983 and 1986 with an incidence rate of 0.0093% and 51 cases were reported in Japan in 1999 with an incidence rate of 0.0051%. To the best of our knowledge, no case of agranulocytosis or other severe adverse effects were reported to be associated with cinepazide maleate products in injection form in these cases.

Compared with other cinepazide maleate products with which side effects have been associated in certain overseas markets, Kelinao and Anjieli are administered in smaller doses over a shorter period of time, are in injection form and are administered under the guidance of doctors at hospitals, and have strong safety records. To the best of our knowledge, there have been no reported cases of agranulocytosis or other severe adverse effects associated with the use of Kelinao and Anjieli. According to a study we conducted with five hospitals in Shanghai, Beijing and Shenzhen, which monitored the incidence of adverse effects related to the use of Kelinao from 2004 to 2007, among 2,515 patients administered with Kelinao, a total of 34 cases of adverse effects, such as skin rash, dizziness and headache, were reported, representing an adverse effect rate of 1.35%. No incidence of agranulocytosis was reported in this study.

The following table summarises the differences in the administration of Kelinao and Anjieli versus certain other overseas cinepazide maleate products that had associated side effects:

	Kelinao and Anjieli	Overseas products
Formulation	Liquid injection	Oral tablet
Dosing	320mg per day	600mg per day
Usage period	7-14 days	30 days or longer
Method of use	Inpatient use with blood test results monitored by doctors	Outpatient use mostly

More importantly, we have conducted research and development to enhance efficacy, stability and safety of the product. In particular, we have identified and developed new synthesis and purification processes of cinepazide maleate to reduce the toxicity of the solvent residuals in the API, and hence further improve the safety of the drug. We have also successfully developed proprietary non-solvated cinepazide maleate crystal. Such crystal can improve the stability of the API and minimise its structural change during the formulation process, and therefore enhance the efficacy and safety of the drug. We received 20-year patent protection for each of the synthesis process, the improved production method and the invention and production method of the crystal of cinepazide maleate in the PRC in 2004, 2006 and 2008, respectively. In June 2010, SFDA approved our application of enhanced quality standards for cinepazide maleate products. Our standards control the existence of certain impurities, which were not monitored in the originator's standards.

As a first-to-market generic drug in the PRC, cinepazide maleate was granted a six year administrative protection by the SFDA, during which the SFDA would not approve the application for clinical trials of such product by other applicants. Effectively, no other manufacturer is allowed to manufacture or import the same product during such protection period. Such protection period expired in 2008, but the revenue from the sales of Kelinao and Anjieli continued to grow. We believe that our 20-year patent protection of the production method and the stringent quality standards make it technically difficult for our competitors to identify an alternative approach to synthesising products of comparable quality, providing us significant advantages over potential new entrants. For the three years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, revenue derived from sales of Kelinao and Anjieli represented 66.5%, 60.1%, 57.3% and 57.7%, respectively, of our total revenue. In the future, we expect the sales of Kelinao and Anjieli to account for a lower, yet significant, percentage of our total revenue as we further diversify our product portfolio. For our plan to mitigate our reliance on Kelinao and Anjieli, see the section headed "Financial Information — Principal Income Statement Items — Revenue" in this prospectus.

Chuanqing (ligustrazine hydrochloride for injection) (川青) (注射用鹽酸川芎嗪)

Chuanqing is another of our key cardio-cerebral vascular drugs. It is ligustrazine hydrochloride lyophilised powder for injection, which is used in the treatment of ischemic cardio-cerebral vascular diseases related to insufficient blood supply to the brain, such as cerebral thrombosis, cerebral embolism, coronary artery disease and vasculitis. It is clinically proven to be able to inhibit platelet aggregation and expand small arteries thus improving microcirculation. Ligustrazine hydrochloride for injection is currently listed in the National Medicine Catalogue. The size of the PRC ligustrazine market was estimated at RMB493.2 million in 2009, compared with RMB183.4 million in 2005, representing a CAGR of 28.1%.

Chuanqing is the best selling ligustrazine for injection drug in the PRC in terms of market share, accounting for approximately 58.1% of total ligustrazine products sold in 2009. In 2003, we obtained the new medicine certificate and manufacturing permit for Chuanqing and the product was commercially launched in the PRC market the same year. Through our joint research and development with a prominent state sponsored research institute, we successfully developed and obtained patent registration in the PRC for the preparation of ligustrazine hydrochloride lyophilised powder for injection, which will expire in 2026. Chuanqing is the first ligustrazine hydrochloride in lyophilised powder for injection form in the PRC to receive SFDA approval, and has higher stability compared with traditional liquid injection form. Currently, Chuanqing is the only ligustrazine hydrochloride lyophilised powder for injection available in a 120mg dose in the PRC market, which is the dosing volume used frequently in clinical settings.

Qu'Ao (cerebroprotein hydrolysate for injection) (曲奧) (注射用腦蛋白水解物)

Qu'Ao is cerebroprotein hydrolysate lyophilised powder for injection, which is used primarily in the treatment of traumatic brain injury and cerebral vascular disease sequelae associated with memory impairment and the protection of brain tissue. It is clinically proven to be able to regulate and

improve nerve cell metabolism, promote synapse generation, induce nerve cell differentiation and protect nerve cells against damage from ischemia and neurotoxins. Cerebroprotein hydrolysate for injection is currently listed in the Provincial Medicine Catalogue in 11 provinces across the PRC. Cerebroprotein hydrolysate ranked third in terms of molecules sold in the CNS agents for cardio-cerebral vascular diseases market in the PRC in 2009. The size of the PRC cerebroprotein hydrolysate market was estimated at RMB733.9 million in 2009, compared with RMB501.9 million in 2005, representing a CAGR of 10.0%.

Qu'Ao is the second best selling cerebroprotein hydrolysate drug in the PRC in terms of market share, accounting for approximately 22.4% of the cerebroprotein hydrolysate products sold in the PRC in 2009. In 2005, we obtained the new medicine certificate and manufacturing permit for cerebroprotein hydrolysate lyophilised powder for injection and commercially launched the product in the PRC market in the same year. We have obtained patent registration in the PRC for the production method of cerebroprotein hydrolysate lyophilised powder for injection, which will expire in 2026.

Aogan (monosialotetrahexosylganglioside sodium injection) (澳甘) (神經節苷脂注射液)

Aogan is monosialotetrahexosylganglioside, or GM1 in injection form. We believe that it is one of the most effective drugs currently available in the market for the treatment of vascular or traumatic central nervous system damage and Parkinson's disease. It is clinically proven to have important physiological properties and impacts on neuronal plasticity and repair mechanisms, and the release of neurotrophins in the brain. GM1 in injection form is currently listed in the Provincial Medicine Catalogue in 13 provinces across the PRC. GM1 was the best selling molecule in the cardio-cerebral vascular drug market in 2009. The size of the PRC GM1 market was estimated at RMB1,869.3 million in 2009, compared with RMB133.3 million in 2005, representing a CAGR of 93.5%.

In 2008, we obtained the manufacturing permit for GM1 and commercially launched the product in the PRC market in the same year. After our acquisition of Aogan, we conducted a series of stability tests and conducted technology optimisation that improved Aogan's production yield. We also provided technical advice to the raw material provider of Aogan to improve the quality of its raw materials. The sales of Aogan have increased quickly since its launch. We expect it to become one of the main contributors to our growth. Our API supplier is required to ensure the API's purity and quality by complying with the highest and most stringent quality control standards in the GM1 manufacturing process.

Qingtong (edaravone injection) (清通) (依達拉奉注射液)

Qingtong is edaravone injection, which is used primarily in the treatment of ischemia-reperfusion injury in patients with cerebral infarction. It is clinically proven to act as a potent antioxidant and strong scavenger of free radicals and to protect against oxidative stress and neuronal apoptosis. Edaravone injection is listed in the National Medicine Catalogue. Edaravone ranked second in terms of molecules sold in the CNS agents for cardio-cerebral vascular diseases market in the PRC in 2009. The size of the PRC edaravone market was estimated at RMB1,319.5 million in 2009, compared with RMB138.2 million in 2005, representing a CAGR of 75.8%. We expect that Qingtong will experience significant growth in the future.

Anti-infective drugs

As of the Latest Practicable Date, we market and sell 11 anti-infective drugs. The size of the PRC anti-infective drugs market was estimated at RMB66.1 billion in 2009, increasing by 22.4% compared to 2008. Anti-infective drugs was the largest therapeutic area in the PRC in 2009, accounting for 27.1% of the total PRC pharmaceutical market. The following table sets forth the contribution to revenue of our top anti-infective drugs during the Track Record Period.

	For the year ended 31 December						For the six months ended 30 June			
Revenue (by Product)	**2007**		**2008**		**2009**		**2009**		**2010**	
	RMB '000	**% of Revenue**	**RMB '000**	**% of Revenue**	**RMB '000**	**% of Revenue**	**RMB '000**	**% of Revenue**	**RMB '000**	**% of Revenue**
Anti-infective drugs										
Kanglixin, Aolang and Xiboao	4,988	1.7	19,706	3.9	18,609	2.6	9,547	3.0	7,357	1.6
Anjiejian	—	—	4,233	0.8	16,130	2.3	7,226	2.2	11,521	2.4
Others	12,335	4.3	22,290	4.4	20,778	2.9	10,295	3.2	11,781	2.5

Below are some of our key anti-infective products:

Kanglixin, Aolang and Xiboao (cefpiramide sodium for injection) (抗力欣, 澳朗 and 希柏澳) (注射用頭孢匹胺鈉)

We market and sell cefpiramide sodium for injection in three dosages under three brands: Kanglixin, Aolang and Xiboao. Our cefpiramide sodium for injection is a third generation cephalosporin antibiotic lyophilised powder for injection, which is used in the treatment of microbial infections. It has a long plasma half-life and is a biliary excretion drug, which makes it safe for patients with renal dysfunctions. Cefpiramide sodium for injection is currently listed in the Provincial Medicine Catalogue in 12 provinces across the PRC. The size of the PRC cefpiramide market was estimated at RMB805.7 million in 2009, compared with RMB329.3 million in 2005, representing a CAGR of 25.1%.

Kanglixin is the first generic version of a cefpiramide sodium drug approved in the PRC. Kanglixin, Aolang and Xiboao collectively are the best selling injectable cefpiramide products in the PRC in terms of market share, accounting for approximately 14.3% of the injectable cefpiramide sold in the PRC in 2009. The manufacturing permit for cefpiramide sodium for injection was issued in June 2004 and the product was commercially launched in the PRC market in the same year.

Anjiejian (cefmenoxime hydrochloride for injection)(安捷健)(注射用鹽酸頭孢甲肟)

Anjiejian is a third generation cephalosporin antibiotic in lyophilised powder for injection form, which is used in the treatment of microbial infections. Cefmenoxime hydrochloride for injection is currently listed in the Provincial Medicine Catalogue in 13 provinces across the PRC. The size of the PRC cefmenoxime hydrochloride market was estimated at RMB1,000.6 million in 2009, compared with RMB95.6 million in 2005, representing a CAGR of 79.9%.

Anjiejian was the fastest growing injectable cefmenoxime drug in the PRC in terms of annual growth in 2009. The manufacturing permit for cefmenoxime hydrochloride for injection was issued in January 2007 and the product was commercially launched in the PRC market in May 2007.

Pojia (sulbenicillin sodium for injection) (頗佳)(注射用磺苄西林鈉)

Pojia is a broad spectrum semi-synthetic penicillin antibiotic in injection form, which is used in the treatment of microbial infections. Sulbenicillin sodium for injection is currently listed in the National Medicine Catalogue. The size of the PRC sulbenicillin market was estimated at RMB61.9 million, compared with RMB7.0 million in 2005, representing a CAGR of 72.4%.

As a result of the recent inclusion of the product in the National Medicine Catalogue and with the growth of the anti-infective market in the PRC, we believe Pojia has good market potential and will grow significantly.

Others

We have been seeking to diversify our product portfolio to include pharmaceutical products in other fast growing therapeutic areas. Specifically, in addition to cardio-cerebral vascular drugs and anti-infective drugs, we also manufacture and sell respiratory, CNS, oncology and other pharmaceutical products. The following table sets forth the contribution to revenue of our other key products.

	For the year ended 31 December						For the six months ended 30 June			
Revenue (by Product)	**2007**		**2008**		**2009**		**2009**		**2010**	
							(unaudited)			
	RMB '000	**% of Revenue**	**RMB '000**	**% of Revenue**	**RMB '000**	**% of Revenue**	**RMB '000**	**% of Revenue**	**RMB '000**	**% of Revenue**
Others										
Zhuo'Ao and Bi'Ao	3,180	1.1	17,096	3.4	36,513	5.2	16,787	5.2	19,523	4.1
Naloxone hydrochloride line[(1)]	14,727	5.2	17,270	3.4	16,143	2.3	8,211	2.6	10,436	2.2
Others	15,534	5.4	26,808	5.3	32,164	4.5	14,827	4.6	19,161	4.1

Note:

(1) Our naloxone hydrochloride line includes two products, naloxone hydrochloride lyophilised powder for injection and naloxone hydrochloride injection. Naloxone hydrochloride lyophilised powder for injection is marketed under the brand Xinpuao. Naloxone hydrochloride injection is marketed under the brands Feidiao, Pudiao and Quxinao.

Below are some of our other key products:

Zhuo'Ao and Bi'Ao (ambroxol hydrochloride for injection) (卓澳 and 必澳)(注射用鹽酸氨溴索)

Zhuo'Ao and Bi'Ao are ambroxol hydrochloride for injection in two dosages, 15mg and 30mg, respectively, which is mainly used to relieve respiratory symptoms and for the prevention of post-operative bellows complications and treatment of acute or chronic respiratory diseases. Ambroxol

hydrochloride is clinically proven to increase respiratory tract secretion, enhance pulmonary surfactant production and stimulate ciliary activity. Administration of ambroxol hydrochloride together with antibiotics leads to higher antibiotic concentration in the lung tissue. Ambroxol hydrochloride for injection is currently listed in the National Medicine Catalogue. The size of the PRC ambroxol hydrochloride market was estimated at RMB1,710.8 million in 2009, compared RMB552.0 million in 2005, representing a CAGR of 32.7%.

The manufacturing permit for ambroxol hydrochloride for injection was issued in 2006 and the product was commercially launched in the same year. Sales of Zhuo'Ao and Bi'Ao have experienced rapid growth in recent years, representing a CAGR of 238.8% in terms of revenue from 2007 to 2009. Our API supplier for ambroxol hydrochloride has obtained EU COS certification, which represents higher quality standards than the industry level in the PRC.

Naloxone Hydrochloride (鹽酸納洛酮)

Naloxone hydrochloride is used in the treatment of respiratory depression and unconsciousness caused by opioid drug overdose or alcohol intoxication. We manufacture two formulations of naloxone hydrochloride: naloxone hydrochloride lyophilised powder and naloxone hydrochloride injection. We market naloxone hydrochloride lyophilised powder under the brand Xinpuao. We market three dosages of naloxone hydrochloride injection under the brands Feidiao, Pudiao and Quxinao. Naloxone hydrochloride lyophilised powder and naloxone hydrochloride injection are currently listed in the National Medicine Catalogue and the National List of Essential Drugs. The size of the naloxone hydrochloride market in the PRC was estimated at RMB495.0 million in 2009, compared with RMB176.5 million in 2005, representing a CAGR of 29.4%.

In April 2005, we obtained the manufacturing permit to produce naloxone hydrochloride injection, which we commercially launched in the PRC market in the same year. In 2006, we obtained the new medicine certificate and manufacturing permit for naloxone hydrochloride lyophilised powder and commercially launched the product in the PRC market the same year.

Ren'Ao (oxcarbazepine tablets)(仁澳) (奧卡西平)

Ren'Ao is an anti-epileptic drug used to produce blockade of voltage-sensitive sodium channels, and thereby decreases nerve impulses that cause seizures. It has high bioavailability and low protein binding rate. Oxcarbazepine tablets is listed in the National Medicine Catalogue. The size of the PRC anti-epileptic drug market was estimated at RMB527.7 million in 2009, compared with RMB204.3 million in 2005, representing a CAGR of 26.8%. With the growth of the anti-epileptic drug market in the PRC, we believe that the potential market of oxcarbazepine tablets is large. We are one of only two companies currently manufacturing oxcarbazepine in the PRC.

The new medicine certificate and manufacturing permit for oxcarbazepine tablets were issued in August 2005 and the product was commercially launched in the PRC market in 2006.

SALES, MARKETING AND DISTRIBUTION

We have a differentiated and proven sales and marketing model, supported by an extensive nationwide distribution network covering close to 10,000 hospitals and medical institutions through over 2,000 distributors across the PRC. Our distribution network is managed and supported by our

in-house team of 278 dedicated sales and product managers, who ensure the efficiency, productivity and stability of our distribution network. Our dedicated sales and product managers work closely with our distributors and third-party sales representatives to rapidly penetrate the hospital markets throughout the PRC. Our sales, marketing and distribution model has proven to be highly successful and cost-efficient, and provides deep market penetration in a time efficient manner.

Our sales and marketing activities

As of the Latest Practicable Date, our sales and marketing activities are supported by an in-house team of 278 dedicated sales and product managers the majority of whom hold professional medical or pharmacy qualifications. We have 27 product managers who are principally responsible for formulating marketing and promoting strategies for our products. They are in charge of establishing and maintaining a network of key opinion leaders who advocate for our products, promoting our product branding and corporate image and organising educational seminars and conferences. We prepare and provide marketing materials for our distributors and third-party sales representatives and conduct training on a regular basis for them, so that they are equipped with the necessary product knowledge to effectively market and sell our products and to ensure that accurate and consistent messages are delivered to physicians.

As of the Latest Practicable Date, we have 251 sales managers who are stationed in over 50 regional sales offices. Our sales managers closely manage with our distributors and are responsible for setting sales targets and product mix, monitoring performance of our distributors and coordinating with our distributors in the collective tender process. We believe that our sales managers have deep knowledge and understanding of their local markets, including local hospitals, and competitive landscape. We provide training for our sales managers on our policies, product characteristics, pricing strategies and sales techniques to enhance the quality and effectiveness of our sales force.

To raise the awareness of our pharmaceutical products in the market, we carry out various marketing activities across all 31 provinces, autonomous regions and cities throughout the PRC. During the Track Record Period, we organised and sponsored more than 200 national and provincial medical or pharmaceutical conferences. We also engage in other brand building activities such as participating in trade fairs and product launching events. During the Track Record Period, we also organised more than 2,000 symposiums and product seminars.

Structure and management of our nationwide distribution network

All our products are prescription drugs, which are sold to hospitals and medical institutions through our distributors. Our distributors are our direct customers and are independent third parties. They are GSP certified distributors located in different regions throughout the PRC, who distribute pharmaceutical products primarily to hospitals and medical institutions. All the sales to our customers are settled in RMB. As of the Latest Practicable Date, we have established an extensive distribution network comprising over 2,000 distributors covering all provinces, autonomous regions and cities throughout the PRC. Our nationwide distribution network reaches 890 or approximately 70% of all Class III hospitals, 3,600 or approximately 55% of all Class II hospitals and 5,400 Class I and other hospitals and medical institutions in the PRC. In addition, our distribution network has penetrated into county-level markets in certain densely populated provinces, such as Zhejiang, Guangdong and Henan. We believe that our distribution network is not easily replicable because it is the culmination of a process of over a decade of searching for, identifying, negotiating with and selecting qualified

distributors and third-party sales representatives in different regions across the country. Our sales model also requires a highly effective internal management system to control and support a distribution network of such a large scale. Over the years, we have also developed pricing strategies, which ensure that the profit margins of our products remain attractive to our distributors. In addition, the market leading positions of several of our products and our strong product pipeline help retain our distributors.

The following map illustrates our regional revenue contribution by province in 2009:

We derive substantially all our revenues from sales of our products to hospitals and medical institutions through GSP certified pharmaceutical products distributors. Our relationships with our distributors vary in length, ranging from new or ad hoc relationships to long-term relationships of over five years. We enter into distribution agreements with majority of our distributors on a yearly basis. The distribution agreements set monthly and yearly sales volume targets, target hospitals, wholesale prices and other requirements by us for the distributors. Under the distribution agreements, our distributors are required to (i) have requisite operation licenses, (ii) comply with laws, regulations and our sales and pricing policies and (iii) refrain from distributing competing products with our products, and we are responsible for providing products that meet specific quality standards based on their orders placed with us and for any damages during transport from our warehouse to our distributors' warehouse. The distributors have exclusive distribution rights to the target hospitals designated by us in one geographic region. They are forbidden under the distribution agreements to sell or promote to other hospitals or regions beyond those designated by us. Under the distribution agreements, in

addition to the right to levy penalties, we have the right to cancel the distribution right of our distributors if it is discovered that the distributor sells to beyond its designated hospitals or regions. Parties may agree to extend the agreements upon expiry if the distributors complete their sales targets. The distributors are liable for any breaches of the distribution agreement and any violation of any laws and regulations and are responsible for indemnifying us for any damages to our corporate image or reputation as a result of their inappropriate conduct. We also enter into sales and purchase agreements with some of our distributors, which only set forth the sales price, quantity and logistic details for the delivery of our products and do not have sales targets.

According to our accounting policies, the revenue for sales to our customers is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to us and specific criteria have been met for each of our activities. We base our estimates on historical results, taking into consideration the type of distributor, the type of transaction and the specifics of each arrangement. This is usually at the time when products are delivered and our distributors have accepted the products. Our sales to our distributors are without recourse. During the Track Record Period, we have only received requests for product returns due to damages caused to the products during transport, which accounted for nil, nil, 0.004% and 0.004% of our total revenue for the three years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010, respectively.

Typically, our distributors are supported by sales representatives that consist of third-party individuals, who are independent from our distributors and us, and individuals employed by the distributors. Because of the crucial role they play in the distribution of our products, we seek to have a contractual arrangement with the majority of such third-party sales representatives to monitor their performance. They are not our employees. Some of these contractual arrangements are in the form of formal written contracts, under which we monitor the third-party sales representatives who are responsible for promoting our key products. These sales representatives are given dedicated responsibilities to promote the sale of or solicit customers for our products. They are not required to obtain any permit or license under the PRC laws and regulations to perform their role. They are responsible for the day-to-day detailing activities to hospitals and physicians in accordance with our marketing plan, as well as facilitating the flow of our products, information and payments, while our distributors are responsible for the actual sales and delivery of our products. Generally, the sales representatives receive information on the demand for our products from the hospitals and medical institutions as a result of their promotion and detailing activities and pass such information to the distributors, who then proceed to place orders with us and execute the sales and delivery of our products to the hospitals and medical institutions.

We generally select distributors with proven distribution abilities, familiarity with their own target markets, financial strength, good credit records and scale of operations. We also select those independent third-party sales representatives who have a deep understanding of their local markets and have established sales channels with local hospitals and physicians, and therefore can effectively promote our products. Such understanding of the local markets includes insight into the local competitive environment and familiarity with local hospitals and physicians' demands and preferences.

Our distributors are required under PRC law to obtain drug operation permits and GSP certificates. We sell our products only to distributors that have obtained the necessary licenses and certificates required for distributing pharmaceutical products in the PRC. Our distributors are required to provide proof of GSP certificates and drug operation permits before establishing distribution relationship with us.

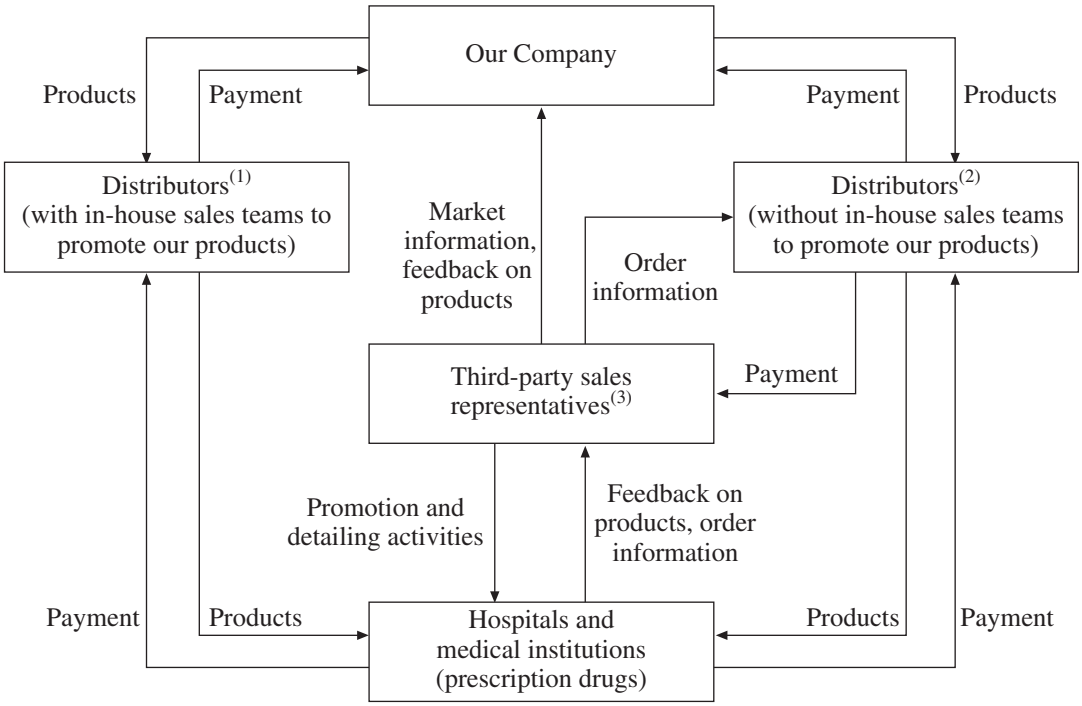
We believe that the sales representatives' local markets knowledge and familiarity with our products are essential to the effective selling and distribution of our products and we put significant time and resources into working with them to develop strong relationships with them. The sales representatives keep us generally informed of the conditions of the market, activities of our competitors, and other circumstances important to the marketing of our products. Developing and maintaining a close working relationship with these sales representatives is therefore an important aspect of our distribution and sales strategy.

Where the third-party sales representatives are not closely controlled by our distributors and because they are primarily responsible for the day-to-day detailing activities, we seek to have a contractual arrangement also on a yearly basis with these third-party sales representatives to monitor their performance. Such arrangements typically designate target hospitals, set sales volume targets for the designated hospitals and require strict adherence to our sales and pricing policies. The parties may agree to extend the agreements upon expiry if the third-party sales representatives complied with the agreements. The third-party sales representatives are liable for any breach of the agreement and any violation of any laws and regulations and are responsible for indemnifying us for any damages to our corporate image or reputation as a result of their inappropriate conduct.

These third-party sales representatives are independent from us and are remunerated by the compensation they receive from the distributors for the hospital detailing work they perform to promote our products. In such case, the agreement between our distributors and us is a sales and purchase agreement that mainly provides for the payment and delivery of our products on an ad hoc basis. Since the distributors and the sales representatives cover different aspects of selling pharmaceutical products to hospitals and medical institutions, there is no competition between them. Sales representatives, either employed by distributors or independent third party, are assigned different hospitals or different products for their promotion activities. As such, there is no direct competition between the sales representatives.

Generally, we conduct monthly reviews of the performances of our distributors and third-party sales representatives and based on the results of our review, we adjust the designated target hospitals, forfeit or release performance deposits or renew or terminate the contracts of those who either under-perform, consistently fail to meet their sales target, or violate our policies. We do not enter into tri-party agreements with our distributors and the third-party sales representatives. They are responsible for their respective sales targets pursuant to the separate agreements with us. Where the third-party sales representatives are responsible for their sales targets pursuant to contractual arrangements between them and us, the distributors who they support are not jointly responsible for such sales targets. The distribution agreements and agreements with the third-party sales representatives allow them to terminate the agreements with one month notice to us, with our prior consent. During the Track Record Period, there have been occasional breaches of various terms of agreements by our distributors and the sales representatives, mainly for failure to meet their sales targets, and consequently we have terminated agreements with them and sought compensation in due course. However, these breaches did not have any material impact on our business, financial condition or results of operations. See the section headed "Risk Factors — We rely on our distributors and third-party sales representatives" in this prospectus. Substantially all of our distribution and third-party sales representative contracts are on a non-exclusive basis, where our distributors may distribute, and the third-party sales representatives may promote, products manufactured by other companies. Our distribution agreements and agreements with the third-party sales representatives prohibit them from promoting products that compete with our products.

The following table illustrates the relationships among us, our distributors and the third-party sales representatives:



Notes:

(1) Some of the distributors enter into distribution agreements with us.

(2) Some of the distributors enter into sales and purchase agreements with us.

(3) We seek to have contractual arrangements with the majority of the third-party sales representatives.

As of 31 December 2007, 2008 and 2009 and 30 June 2010, we had 1,594, 1,773, 2,398 and 2,022 distributors, respectively. The number of distributors decreased from the end of 2009 to the end of the six months ended 30 June 2010 as a result of our effort to consolidate our distributor resources and engage distributors with larger geographic coverage and scale of operations to streamline our distribution channels. Our Directors are of the view that our sales and distribution model is in line with the industry practice. We will continue to extend our sales and distribution network, with a view to further increasing our market share and deepening our market penetration.

We generally collect payment from our distributors before delivering goods to them. However, for our distributors with whom we have long-term relationships, we may extend short-term credit ranging between one and six months. Our distributors generally place their orders with us one month in advance, depending on their inventory level and estimated sales volume. Our sales managers also regularly communicate with target hospitals as part of our efforts to monitor our distributors' performance. Generally, our distributors have strong credit records and steady cash flow, and we have not experienced any material delays of payment by our distributors. For the three years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010, our top five distributors accounted for 30.0%, 21.6%, 19.6% and 16.9% of our total revenues, respectively. For the three years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010, our largest distributor

accounted for 12.3%, 7.4%, 6.2% and 4.6% of our total revenues, respectively. On average, our top five distributors have approximately three years of relationship with us. We believe that our integrated marketing strategy and management of our extensive sales and distribution network are difficult to duplicate and provide us with a significant competitive advantage.

Product prices

Substantially all of our products are subject to retail price controls by the government in the form of fixed retail prices or maximum retail prices. These controls indirectly affect the wholesale price of our products. There have not been material changes to the maximum retail prices of our major products during the Track Record Period. The rest of our products are not included in the National Medicine Catalogue, National List of Essential Drugs, or are not deemed by the government to be drugs whose production and trading tend to create monopolies, and are therefore not subject to retail price controls. We set our prices of such products with reference to a number of factors, including market trends, changes in the levels of supply and demand, our costs of production and competitors' prices.

Our products are sold at wholesale prices to our distributors, who in turn sell them to hospitals and medical institutions. The PRC government authorities do not impose restrictions over the wholesale prices at which pharmaceutical manufacturers, such as ourselves, sell products to distributors. However, controls over and adjustments to the retail price of a pharmaceutical product, if significant, could have a corresponding impact on the wholesale price of that pharmaceutical product, which may have an adverse impact on our results of operations. See the section headed "Risk Factors — Risks Relating to the Pharmaceutical Industry in the PRC — Our products are subject to price controls and we do not have full discretion over the pricing of such products" in this prospectus.

During the Track Record Period, the wholesale prices of our major products remained relatively stable, except for several anti-infective drugs, namely Kanglixin, Xiboao, Aolang and Anjiejian, which experienced decreases in our wholesale prices between 3.9% to 14.2%. The price decreases of these anti-infective drugs were mainly caused by intense competition among the pharmaceutical manufacturers in the anti-infective drugs market in the PRC, and not due to the changes in the maximum retail prices of such products, as they are not subject to any maximum retail price.

On 1 July 2010, the NDRC issued a notice (Fagaidian [2010] No. 253) with regard to a survey of certain pharmaceutical products' wholesale prices and the operations of the relevant pharmaceutical manufacturers. The purpose of the survey is to understand the pricing structure of the selected pharmaceutical products, which may lead to further adjustment of the pharmaceutical products' retail prices based on the result of the survey. Four of our products were included in the scope of this survey, namely cinepazide maleate injection, oxcarbazepine tablets, nylestriol and octreotide acetate injection. We market and sell cinepazide maleate injection under the Kelinao and Anjieli brands and oxcarbazepine tablets under the Ren'Ao brand. Kelinao, Anjieli and Ren'Ao accounted for 46.7%, 10.6% and 0.3%, respectively, of our total revenue in 2009. We have submitted relevant information as required by the survey to relevant authorities. We have discontinued the production and sales of nylestriol and octreotide acetate injection for commercial reasons that are not related to the survey. We do not expect significant downward adjustment to the maximum retail price of oxcarbazepine tablets as a result of such survey, because the adjustment of maximum retail price depends on many other factors, including the sales channel, sales volume and bidding process.

Currently, the government authorities have not stipulated maximum retail prices for Kelinao and Anjieli. We may set the manufacturer suggested retail prices until the government authorities announce the official maximum retail prices. We expect that because Kelinao and Anjieli are the only SFDA approved drugs containing the active ingredient of cinepazide maleate in the PRC and are protected by patents, they will be considered favorably during the pricing adjustment process. We expect that because Ren'Ao is provided by only two manufacturers in the PRC and the cost of raw materials is relatively high, it will also be considered favorably during the pricing adjustment process. In addition, because the maximum retail prices are higher than our wholesale prices, we believe that we can adjust our sales channels to absorb part of the downward pressure on our wholesale prices. As a result, we do not expect any material impact on our business or results of operations from this survey.

Based on our market research, including consultation with regulators and other pharmaceutical industry participants, we do not expect any significant downward price pressure on our key products in the near future. As the wholesale prices of our products are significantly affected by the tender prices and the sales channels of our products, we will strive to take measures to mitigate the adverse impact of price controls by increasing our lobbying efforts in the tender process in order to increase our chances of successfully bidding at a stable price, tightening control of our wholesale prices to maintain our profit margin and further diversifying our product portfolio to minimise the negative impact on our results due to the price control measures on certain products.

The procurement by public hospitals and medical institutions of substantially all pharmaceutical products is subject to a collective tender process that involves bidding by pharmaceutical manufacturers. We participate in such tender processes regularly and the successful bidding prices are the hospital procurement prices at which distributors sell the products to the hospitals. We seek to improve our overall bidding position and number of successful bids through industry expertise, market intelligence and competitive pricing. After the tendering process, our distributors then distribute our products upon receiving purchase orders provided by the hospitals, which specify the brand, volume and types of pharmaceutical products. The wholesale prices at which we sell to our distributors are determined in part by the successful bidding prices.

The following table sets forth the top five products in each period during the Track Record Period and the manufacturer suggested retail prices and the maximum retail prices of three of our key products.

	For the year ended 31 December			For the six months ended 30 June
	2007	**2008**	**2009**	**2010**
Top Five Products (ranked by revenue)	1) Kelinao	1) Kelinao	1) Kelinao	1) Kelinao
	2) Chuanqing	2) Chuanqing	2) Anjieli	2) Anjieli
	3) Nalaxone	3) Anjieli	3) Chuanqing	3) Chuanqing
	4) Anjieli	4) Qu'Ao	4) Qu'Ao	4) Aogan
	5) Aodaxing	5) Nalaxone	5) Bi'Ao	5) Qu'Ao

	For the year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
	RMB per dose	RMB per dose	RMB per dose	RMB per dose
Manufacturer Suggested Retail Prices				
Kelinao	62.4	61.5	61.5	61.5
Anjieli	211.6	197.1	197.1	197.1
Maximum Retail Prices				
Chuanqing (80 mg)	56	56	50.6	50.6
Chuanqing (120 mg)	69	69	69	69

RESEARCH AND DEVELOPMENT

Overview

We place great emphasis on research and development, as we believe that it is the cornerstone to our competitiveness, growth and development. Our research and development activities focus on developing new chemical entities as novel therapeutic agents and first-to-market generic drugs, as well as improving the safety, efficacy and production technologies of existing pharmaceutical products. We perform thorough market analysis before commencing any research and development projects and focus on pharmaceutical products that have the potential for gaining widespread market acceptance or becoming the best in the class of similar products on the market. Generally, in identifying and selecting drug candidates for development, we focus on those that are for treatment of diseases with high incidence or mortality rates and are therefore in strong demand, such as cardio-cerebral vascular diseases, central nervous system diseases, infectious diseases, metabolic diseases and cancer. We undertake our research and development activities mainly in-house and through collaboration with external research partners. As of the Latest Practicable Date, we have submitted 359 patent applications in the PRC and four overseas, of which 99 have been granted and 237 are still pending approval.

Our in-house research and development teams

We have established two leading research and development teams composed of 333 research and development personnel, including 11 Ph.D. degree holders and 134 master's degree holders in medical, pharmaceutical and other related areas. These highly experienced research personnel conduct drug discovery and preclinical studies, and design and manage clinical trials. In addition to research and development of new drugs, our research and development teams are also experienced in manufacturing process improvement activities. Our research facilities are equipped with advanced equipment and instruments.

Our research and development team based in Shandong primarily focuses on the discovery and development of new chemical entities as novel therapeutic agents. It has 289 personnel. The key research scientists in the team have on average over 10 years of drug development experience from their tenures at multinational pharmaceutical companies. Our team leaders have expertise in areas encompassing both drug discovery and development, such as medicinal chemistry, biological assays, pharmacology, toxicology, chemical synthesis and scale-up and clinical trials.

We carefully select drug development programs to pursue with the aim of balancing the commercial potential of the drug and the likelihood of successful development of the drug. For example, our drug development programs for innovative drugs are focused on (i) drugs targeting large unmet medical demand, (ii) drug targets that are already validated by commercialised drugs or drug candidates in late stage clinical trials (after phase II) against such targets, (iii) diseases which have well-defined bio-markers and (iv) drug targets that provide improved medication for the major segment of patient-population, for instance, diseases where existing drug treatments have side effects or unfavorable dosing but where our drug candidate may have fewer side effects, better dosing or better efficacy. We also analyse the related intellectual property, potential competition and market size of each proposed drug development program. We believe that this research and development strategy leads to the development of innovative, best-in-class products that have a high potential for commercialisation and strong intellectual property rights. We also believe that this strategy reduces development costs and risks of failure.

Currently, this research and development team has 23 research programs, five of which we expect to advance to clinical trial stage within the next three years. These clinical trial drug candidates target the anti-infective, CCV and oncology areas. This research and development team also filed for clinical trial for one drug candidate with the SFDA. During the Track Record Period, they submitted 171 patent applications and as of the Latest Practicable Date, six of these have been granted and 159 are pending approval. In addition to focusing on the development of product candidates to deepen our product portfolio, our research and development team in Shandong also seeks to out license our product candidates to other domestic and overseas pharmaceutical companies, which will serve as an additional source of revenue to us.

Our research and development team based in Hainan and Beijing focuses on the development of first-to-market generic drugs, in relation to which we have developed intellectual property rights in relation to formulation, production process, improved chemical attributes or drug delivery system. It has 44 personnel. In addition, their research also seeks to enhance our existing drugs by improving their convenience to use (such as the reduction in the frequency of administration) and/or their therapeutic benefits. In particular, this research and development team has successfully improved the safety and efficacy of cinepazide maleate and was granted three patents in relation to the synthesis process, the improved production method and the invention and production method of the crystal of cinepazide maleate. Since our establishment, this team has successfully developed and brought to the market 13 pharmaceutical products including Chuanqing and Qu'Ao, which were well accepted by the market and enjoy leading positions in their respective areas. During the Track Record Period, this research and development team submitted 27 patent applications and as of the Latest Practicable Date, one of these has been granted and 26 are pending approval.

As our two research and development teams have distinct research and development directions and positioning, we believe this arrangement optimally utilises their expertise and resources, and is a balanced approach towards managing the risk and return of the inherently uncertain pharmaceutical research and development process.

We enter into confidentiality agreements with our research employees that provide that all relevant intellectual property developed by our research staff during their employment with us shall be deemed our intellectual property.

Our research and development spending, which includes spending by KBP BioSciences and Hainan Sihuan CVD Research, amounted to RMB65.0 million, RMB36.4 million and RMB48.2 million, an average of approximately 10% of our total revenues from 2007 to 2009. Details of our research and development spending are summarised below:

	For the year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
	RMB '000	RMB '000	RMB '000	RMB '000
Revenue	286,349	510,048	708,907	473,437
Research and Development Spending	65,000	36,370	48,203	50,794
As % of Revenue	*22.7%*	*7.1%*	*6.8%*	*10.7%*
Breakdown of Research and Development Spending:				
Research and Development Expenses[(1)]	4,394	8,435	13,697	9,137
Administrative Expenses by our R&D Subsidiaries	2,355	5,851	15,617	9,132
Capital Expenditures:				
Purchase of Research and Development Projects	55,927	14,369	7,264	19,897
Purchase of Research and Development Equipment	2,324	4,344	5,666	9,941
Other Capitalised Expenditures	—	3,371	5,959	2,687

Note:

(1) For more details on research and development expenses, see the section headed "Financial Information — Principal Income Statement Items — Administrative expenses" in this prospectus.

Our research and development track record has been acknowledged by various levels of the PRC government authorities and we have received government funding in recognition of our proven capabilities of developing novel and improved pharmaceutical products. As of the Latest Practicable Date, we have successfully applied for and have been granted RMB10.7 million in form of government funding or subsidies in relation to various research and development projects and patent applications and have received RMB6.2 million of such grants.

Collaboration with external research partners

We have entered into collaboration arrangements with external research institutions, universities and hospitals in the PRC to jointly carry out research and development of new pharmaceutical products as well as to enhance our own research and development capabilities. Our research partners include many prestigious research institutions in the PRC such as two prominent state-sponsored research institutions and Beijing Hospital. Our joint research projects include the research and development of new pharmaceutical products that have not previously been developed internationally or domestically and new formulations of existing pharmaceutical products.

The terms of our collaboration arrangements for research projects vary, depending on the subject and nature of the research and our commercial arrangements with our research partners. Our research partners provide the necessary equipment, know-how and personnel. Our research and development team may take a leading role in the design and execution of the research projects and participate in the research work, including preclinical research and development, preparation and submission of applications for clinical trials, management of clinical trials, information collation and application to the relevant authorities for manufacture permits. In addition to our participation in this research and development work, we generally also provide the funding for these joint research and development projects. In most cases, we are entitled to receive the full proceeds from the sales of these products as well as the intellectual property rights and other benefits resulting from the successful development and commercialisation of the products.

We plan to increase our collaborations with external research partners to develop and market new pharmaceutical products in the PRC. Specifically, we focus on seeking strategic and commercial partners in the cardio-cerebral vascular and anti-infective fields. No specific projects have been identified, nor have we entered into any other definitive agreement for any other project. We believe these collaborations will enable us to gain valuable know-how and experience, further strengthen our research and development capabilities, and expand our product portfolio and pipeline.

Drugs under development

As of the Latest Practicable Date, we had a pipeline of over 30 product candidates, including 10 innovative drugs, that are in various stages of development through our in-house expertise and joint research and development efforts with various research institutions, universities and hospitals in the PRC. The majority of these pharmaceutical products under development are new drugs, i.e. innovative or first-to-market generic drugs.

Details of selective product candidates that we believe will be commercially launched in the next two to four years are summarised below:

Product Candidates	Indications	Expected Time to Market
Nalmefene Hydrochloride 鹽酸納美芬	Prevent or reverse the effects of opioids, including respiratory depression, sedation and hypotension	2011
Fasudil Hydrochloride Injection 鹽酸法舒地爾注射液	Circulatory system drug for the treatment of cerebral vasospasm following aneurysmal subarachnoid hemorrhage	2012
Levetiracetam Injection 左乙拉西坦注射液	Anti-epilepsy drug for the treatment of partial onset-seizures and myoclonic seizures in patients with juvenile myoclonic epilepsy	2013
Levophencynonate Hydrochloride 左旋鹽酸苯環壬酯	Vertigo symptoms caused by vertebrobasilar ischemia and other diseases	2014

Nalmefene hydrochloride (鹽酸納美芬)

Nalmefene hydrochloride is an opioid (opium) receptor inhibitor. It can be used for recovery from the after-effects of anesthesia, the treatment of respiratory depression caused by opioid drugs overdose and the treatment of heart failure, shock and alcoholism. Nalmefene hydrochloride

antagonises the effects of opioids by competing for the opioid receptors in the central nervous system. This results in a reversal of the effects of the opioid, including reversal of respiratory depression, sedation, and hypotension. The properties of nalmefene hydrochloride are similar to our existing product, naloxone hydrochloride. However, nalmefene hydrochloride is expected to have longer and better curative effects because nalmefene hydrochloride has a longer duration of action than other opioid antagonists do. It is intended to be a replacement product for naloxone hydrochloride.

We have acquired from a third party the right to use the production technology of nalmefene hydrochloride for joint successful development. We have completed the clinical trial of the product and the product development is currently at the application for production stage. We have one pending patent application for the production method of nalmefene hydrochloride. We have submitted our new drug application to SFDA and expect to obtain SFDA approval for the manufacture and sale of nalmefene hydrochloride injection in 2011.

Fasudil hydrochloride injection (鹽酸法舒地爾注射液)

Fasudil hydrochloride injection is a circulatory system drug used in the treatment of cerebral vasospasm following aneurysmal subarachnoid hemorrhage. Among the top ten best selling molecules for cerebral peripheral vascular therapies, fasudil experienced the fastest sales growth with a CAGR of 182.5% from 2005 to 2009. As a well received drug for cerebral and peripheral vascular therapy, fasudil is expected to complement and build on the success of our cardio-cerebral vascular drug franchise.

The product development is currently at stability testing stage. We expect to obtain SFDA approval for the manufacture and sale of the product in 2012.

Levetiracetam injection (左乙拉西坦注射液)

Levetiracetam injection is an anti-epileptic drug that can be used in the treatment of partial onset seizures and myoclonic seizures in patients with juvenile myoclonic epilepsy. It can be used in patients after surgery for treatment of epilepsy caused or triggered by head surgery. In 2009, levetiracetam injection recorded sales of close to US$1.2 billion globally, according to EvaluatePharma. It is expected to be a first-to-market generic drug. We believe levetiracetam injection will complement Ren'Ao, our oral drug for epilepsy, and further strengthen our CNS product offering.

The product development is currently at the preclinical stage. We expect to obtain SFDA approval for the manufacture and sale of the product in 2013.

Levophencynonate hydrochloride (左旋鹽酸苯環壬酯)

Levophencynonate hydrochloride is a new anti-cholinergic agent that can be used for the prevention and treatment of vertigo symptoms caused by vertebrobasilar ischemia and other diseases.

The research and development of levophencynonate hydrochloride is jointly undertaken by the Academy of Military Medical Sciences and our research and development team. It was awarded the National Invention Second Prize, Military Science Advancement First Prize, "The Ninth Five Year" Army's Logistics Major Scientific and Technological Achievements and World Intellectual Property Organisation Gold Prize. The product development is currently at phase 1 clinical trial stage. We have

applied for and obtained three patents in relation to preparation and medical use of levophencynonate, preparation of a related compound, and the medical use of the metabolic derivative of levophencynonate, each for a patent protection period of 20 years, all expiring in 2024. We also have two pending patent applications in relation to the medical use of levophencynonate as a neuro protectant and as a selective anti-cholinergic agent. We expect to obtain SFDA approval for the manufacture and sale of levophencynonate hydrochloride in 2014.

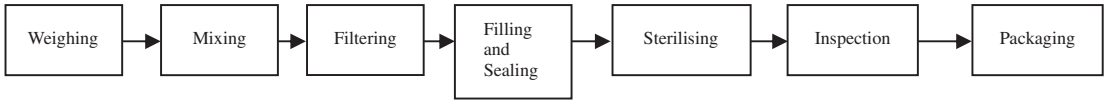
Our research and development activities are primarily funded by our working capital. The following table sets forth the amount of expense already spent and estimated to be incurred for each product under development mentioned above.

Product Candidate	Expense incurred (RMB)	Expense estimated to be incurred (RMB)
Nalmefene Hydrochloride	2.8 million	200,000
Fasudil Hydrochloride Injection	300,000	300,000
Levetiracetam Injection	500,000	3.5 million
Levophencynonate Hydrochloride	7.3 million	15.0 million

PRODUCTION PROCESS

We have obtained the GMP certificates for the production of our products in various dosages and formulations, including tablets, capsules, granules, lyophilised powder for injection and small volume liquid for injection.

The following diagram summarises the key steps to our injection formulation production process.



The following diagram summarises the key steps to our solid formulation production process.

PRODUCTION FACILITIES

Our manufacturing activities are carried out by Beijing Sihuan, whose production facilities are located at Tongzhou District in Beijing, PRC. As of the Latest Practicable Date, we own and operate production facilities occupying 25,329 sq.m. with a total gross floor area of approximately 15,305 sq.m. We operate six production lines, two for producing small volume liquid for injection, one for producing lyophilised powder for injection and three oral solid medicines production lines including capsules, tablets and granules. We have obtained GMP certification for all our production facilities operated by Beijing Sihuan in accordance with the regulatory requirements in the PRC. As of the Latest Practicable Date, our production capacities include 62.5 million vials of small volume liquid for injection, three million vials of lyophilised powder for injection, 50 million pieces of capsules, 560 million pieces of tablets and eight million packets of granules.

The following table illustrates the manufacturing capacity and utilisation rates of our production facilities during the Track Record Period:

			For the years ended 31 December					
			2007		2008		2009	
Production Line	Designed Production Capacity[1]	Unit	Production Volume	Utilisation Rate (%)	Production Volume	Utilisation Rate (%)	Production Volume	Utilisation Rate (%)
Lyophilised powder for injection	3,000,000	vials	1,760,000	58.7	3,020,000	101.0[2]	3,030,000	101.0[2]
Small volume liquid for injection	62,500,000	vials	26,810,000	95.7[3]	35,810,000	57.3	45,270,000	72.4
Capsules	50,000,000	pieces	49,120,000	98.2	21,100,000	42.2	16,450,000	33.0
Tablets	560,000,000	pieces	427,000,000	76.2	373,000,000	66.6	337,000,000	60.2
Granules	8,000,000	packets	3,160,000	39.5	6,390,000	80.0	2,030,000	25.4

Notes:

(1) The maximum annual capacity for a production line is computed based on 250 effective production days a year and 8 hours per day.

(2) The actual production activities were conducted occasionally on two shifts of 8 hours per day to meet the demand for the products; therefore, the utilisation rate for such relevant period exceeded 100%.

(3) Capacity of small volume liquid for injection was 28,000,000 in 2007, which was expanded to 62,500,000 in 2008.

We plan to increase our production capacities and capabilities by constructing new production facilities and acquiring additional production equipment. Currently, we have two production facilities that are under construction. One is located in Langfang, Hebei for manufacturing APIs and pharmaceutical intermediates and is expected to commence production in the first half of 2011. Upon completion of the construction of this facility, we expect to increase our annual production capacities of cinepazide maleate API by 3 tons and other APIs by 27 tons. The other facility currently under construction is located in Beijing. This facility will manufacture lyophilised powder for injection and small volume liquid for injection and is expected to commence production in late 2012. Upon completion of the construction of this facility, we expect to increase our annual production capacities of lyophilised powder for injection by 100 million vials, sterile powder for injection by 10 million vials and small volume liquid for injection by 300 million vials. The proposed increase in production capacity is mainly for production of APIs that are currently supplied by third-party subcontracting manufacturers, and production of other products that are currently either supplied by subcontracting manufacturers or have not yet commenced production. Due to regulatory requirements and different production techniques, these products may not be able to share the current production capacities or capabilities with existing products. For example, the new small volume liquid for injection production line to be constructed is for aseptic processing of small volume liquid for injection that cannot be subject to terminal sterilisation (or heat sterilisation), compared with our existing production line, which uses terminal sterilisation. As a result, although some of our product lines did not reach their full designed production capacity during the Track Record Period, we still need to construct new production facilities to accommodate production of new products and reduce our reliance on our subcontracting manufacturers to lower the risks of supply shortages in the future.

The estimated capital expenditures in relation to the Langfang project and Beijing project are approximately RMB50 million and RMB300 million, respectively.

SUPPLIERS

Our suppliers include suppliers of raw materials, subcontracting manufacturers and the manufacturers from whom we purchase products that we distribute. All the purchases from our suppliers are settled in RMB.

For the three years ended 31 December 2007, 2008 and 2009, purchases from our five largest suppliers collectively accounted for approximately 84.7%, 68.1% and 63.6%, of our total purchases, respectively; and our largest supplier, Harbin Tri-Lion Pharmaceutical Co., Ltd., who is our major subcontracting manufacturer, accounted for approximately 25.2%, 34.3% and 28.0% of our total purchases, respectively.

None of our Directors or Substantial Shareholders has any interest, direct or indirect, in our major suppliers.

Raw materials

The principal raw materials used for our products are the APIs. We source such raw materials, as well as packaging materials, from various independent suppliers in the PRC. Our principal packaging materials include glass ampules for injection products and gelatin capsule shells, as well as external packaging and printed instructions for all of our products.

We purchase our raw materials only from our list of pre-approved suppliers that meet our quality standards. Before confirming the selection of a supplier, our quality assurance division, or QA Division, performs background checks on the operating history, track record and market reputation of the potential supplier, procures different product samples from the potential supplier for inspection and testing by our quality control divisions, or QC Division, to ensure quality and consistency of the raw materials, inspects the production facilities of the potential supplier to ensure that the quality and standards of its production processes are in conformity with our quality requirements, and where necessary, conducts interviews with the supplier to assess its suitability and ability to meet our quality requirements. In addition, our QA Division personnel regularly visit our raw material suppliers to conduct on-site assessments of their quality assurance systems to ensure that they meet our quality requirements.

Raw materials required for our production are generally readily available in the market through many suppliers. Therefore, we generally do not enter into any long-term supply agreements with our raw material suppliers. The purchase price of our raw materials is primarily based on the prevailing market prices for raw materials of similar quality. Our main raw material supplier is Beijing Gaobo Pharm-Chemicals Tech Co., Ltd., or Beijing Gaobo, which manufactures raw material for cinepazide maleate. We have established a joint venture with Beijing Gaobo in Langfang, Hebei province, Langfang Sihuan, in which we hold a 51% interest. We are currently constructing new production facilities in Langfang Sihuan to expand our production capacity of, among others, API for cinepazide maleate. See the section headed "Business — Production Facilities" in this prospectus. We generally

contract with one to two suppliers for each major type of API due to the requirement to file information of our API supplier on record with the food and drug authority at the provincial level, which may take up to six months. However, we may replace them with other API suppliers that are readily available in the market as there are abundant supplies of these products in the PRC.

Our raw material suppliers generally extend credit terms ranging between one and two months to us. The credit period extended by our other suppliers varies from supplier to supplier depending on, inter alia, our relationship with the particular supplier and the volume and prices of our purchases. In respect of subcontracting manufacturers who manufacture certain products for us, if the raw material purchases are arranged by us, we generally make payment for the raw materials required in the production before the production commences. The balance of the subcontracting payment is usually made after the goods are delivered in good order.

Subcontracting arrangements

We have entered into subcontracting manufacturing agreements with independent third-party pharmaceutical companies to manufacture certain products that we own intellectual property rights to but where we lack the production capacities or capabilities to manufacture such products ourselves. As of the Latest Practicable Date, 21 of our pharmaceutical products, including Chuanqing and Qu'Ao, are manufactured under such subcontracting arrangements by 11 subcontracting manufacturers. We undertake an assessment of our subcontracting manufacturers before engaging their services for the production of our pharmaceutical products. In our assessment, we take into consideration the following factors with regard to the potential subcontracting manufacturer: operating history, market reputation, track record, relevant expertise, internal quality control system, product quality, state of technology used in production and GMP certificates of production facilities, its production capacity and reliability in meeting delivery schedules, competitive pricing, and competence of its management. We also visit the premises and production facilities of the subcontracting manufacturer and conduct interviews with its management to assess its suitability and ability to meet our requirements.

We maintain stable and long term relationships with our subcontracting manufacturers. The number of subcontracting manufacturers for the three years ended 31 December 2007, 2008 and 2009 was 10, 11 and 11, respectively. They are all independent third parties. The number of our subcontracting manufacturers remained stable during the Track Record Period, except that we entered into new subcontracting manufacturing agreements with Hainan Quanxing Pharmaceutical Co., Ltd. in 2008 to use their hyophilised powder for injection production line and other production lines to manufacture carbazochrome sodium sulfonate for injection, a haemostatic product and certain other products to solve our production capacity bottle neck. Under the subcontracting manufacturing agreements, which are usually long term agreements between three to ten years, the third-party subcontracting manufacturers acknowledge and confirm that we are the owners of the intellectual property rights to the products and are entitled to all economic benefits from selling the products. Under the agreements, the subcontracting manufacturers register the relevant manufacturing permits on our behalf and we are responsible for payment of the production costs and in some cases, designate raw materials suppliers who the subcontracting manufacturers procure from. The subcontracting fees

under these agreements are determined by mutual agreement and are calculated based on production volume and per unit fee. The materials used for production are purchased by our subcontracting manufacturers. We record the finished products purchased from our subcontracting manufacturers as finished goods. We generally have one subcontracting manufacturer for each product due to the requirement of obtaining a manufacturing permit for such product, which is only issued to one party at a time by the SFDA. The third-party subcontracting manufacturers are responsible for manufacturing the products within the agreed upon delivery time based on the orders that we place with them in advance. Our subcontracting manufacturers are required to adopt our production technology and comply with our quality standards, in addition to SFDA standards. In some cases ours are higher than the SFDA standards. Our subcontracting manufacturers are responsible for any quality defects in the products they manufacture. During the effective period of the subcontracting manufacturing agreement, our subcontracting manufacturers undertake to manufacture and sell the relevant pharmaceutical products exclusively to us and we have the exclusive rights to market and sell these products. If we discover that any of our subcontracting manufacturers are conducting unauthorised sales of our products, we will terminate our contract with them and seek compensation and penalty for such breach of contract. In addition, a subcontracting manufacturing agreement may be terminated by a non-breaching party, if the other party materially breaches the agreement.

In the past, we have experienced delays in delivery or shortages in production by certain subcontracting manufacturers, which has adversely affected our business and operation. See the section headed "Risk Factors — Risks Relating to Our Business — We rely on third-party subcontracting manufacturers to manufacture some of our pharmaceutical products" in this prospectus.

For the three years ended 31 December 2007, 2008 and 2009, our revenue derived from the sales of the products that were manufactured by our subcontracting manufacturers amounted to RMB67.6 million, RMB156.4 million, and RMB197.1 million, respectively, accounting for 23.6%, 30.6% and 27.7% of our total revenue. For the six months ended 30 June 2010, our revenue derived from the sales of products that were manufactured by our subcontracting manufacturers amounted to RMB111.0 million, accounting for 23.4% of our total revenue. For the three years ended 31 December 2007, 2008 and 2009, the subcontracting fees, including payment for raw materials, amounted to RMB31.7 million, RMB93.0 million and RMB104.0 million, respectively, accounting for 52.4%, 69.6% and 54.2% of our total cost of sales for the same periods, respectively.

Distribution of third-party pharmaceuticals

We enter into distribution agreements with third-party pharmaceutical manufacturers, under which we are the distributor for the pharmaceutical products developed and/or manufactured by such third parties. We distribute these third-party pharmaceutical products using the same sales, marketing and distribution model that we use for our other products. As of the Latest Practicable Date, 12 of the pharmaceutical products that we distribute are products that are developed and/or manufactured by third-party manufacturers. Under such distribution agreements, we are required to distribute the relevant pharmaceutical products within a certain pre-agreed region and to meet certain sales targets per year.

For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, revenue from our distribution business for third-party manufacturers accounted for 0.7%, 2.1%, 6.1% and 8.3% of our total revenue, respectively.

QUALITY CONTROL

We believe that an effective quality management system is critical to ensuring the quality of our products and maintaining our reputation and success. We seek to ensure that our products consistently meet the highest industry standards and requirements. For certain key products, such as Chuanqing and Qu'Ao, we maintain higher quality standards than industry standards. We have invested extensively in researching and developing new production procedures and know-how to improve the quality standards and safety profile of our products. We have received patent protections for certain such production procedures, which have been implemented by the SFDA as part of the quality standards for other manufacturers with the same type of products. We believe that the patent protections create significant advantages for us over potential competitors, especially those who do not have the expertise in implementing those quality standards. In addition, in recent years the PRC government has been raising the quality standards for pharmaceutical products to ensure product safety. We expect to benefit from these more stringent regulations because of our high quality standards, which we believe give us an additional competitive advantage over potential competitors.

Our quality assurance department, or QA Department, has 26 employees, most of whom have pharmaceutical or medical related educational backgrounds. Our QA Department is comprised of a QA Division and a QC Division. Our QA Division is responsible for formulating and implementing our quality management system in accordance with the GSP and GMP requirements and ensuring that our product supply chain and production processes are in strict compliance with stipulated standards and procedures. Our QC Division is responsible for the inspection of incoming raw materials and ingredients, semi-finished products and final products, as well as reviewing the consistency of samples.

We undertake quality inspections at different stages of our production process from the procurement of raw materials to delivery of our products to our customers. In addition, since 2008, we also from time to time invited external industry experts to conduct random onsite inspections of our production process without prior notice to our production staff to make sure that our production process is strictly in compliance with the current GMP standards. Any non-compliance discovered during such random inspections is corrected immediately. Our quality control procedures at the production stage are briefly described as follows: For our quality control procedures at the raw material procurement stage, see the section headed "Business — Suppliers — Raw Materials" in this prospectus.

Production quality control

Each stage of our production process is monitored by personnel from our QA Division to ensure that the production process conforms to our quality standards. Our production operators are required to strictly adhere to standard operating procedures and equipment operation procedures. Our production operators monitor the entire production process and our QA Division personnel inspect the production equipment and process. Any abnormalities discovered are rectified immediately and recorded.

Final product quality control

Every batch of our finished products is subject to a sample inspection by our QC Division personnel prior to dispatch to our distributors. After the inspection, our QC Division personnel issue

a report on the finished products and only products that pass the inspection are sent to the warehouse. Our policy is to destroy any batches of finished products that do not meet our quality standards. Our QC Division personnel review the use of materials, production process, production control and batch records. If no defects are detected, a product approval certificate is issued. Our warehouse only releases products upon receipt of both the finished product reports and the product approval certificates.

After sales service

Our QA Department receives feedback from our distributors, hospitals, medical institutions and end customers and handles any complaints with regard to the quality of our products. We treat such feedback and complaints seriously. Upon receipt of a complaint, we conduct investigations and where necessary, interview the party concerned. As of the Latest Practicable Date, we have not received any request for product return due to quality problems by our distributors. During the Track Record Period, we have only received requests for product returns due to damages caused to the products during transport, which amounted to RMB nil, RMB nil, RMB28,000 and RMB20,000 for the three years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010, respectively.

INVENTORY MANAGEMENT

Our inventories comprise mainly raw materials, work-in-progress and finished goods.

We have two warehousing facilities with a total storage space of approximately 6,000 sq.m., one of which is located in Beijing and the other one in Hainan. Our warehouse in Beijing mainly stores the raw materials required for our production as well as the finished goods from such production. Our warehouse in Hainan stores mainly finished goods produced by Beijing Sihuan or by other third party pharmaceutical companies, which are ready for dispatch to our distributors. Our inventories are warehoused in accordance with the stringent requirements prescribed by GSP and GMP.

We conduct monthly assessments of our inventory requirements. In general, we manufacture our products and purchase our raw materials and packaging materials according to confirmed purchase orders as well as projected sales, which are determined by our management after taking into account the previous month's sales orders, current inventory level and the sales department sales forecast for the next one to two months. We have an advanced enterprise resource planning software system to collect, on a daily basis, accumulative product sales information from all sales offices, which is communicated to our production and inventory departments, which adjust our production and inventory level accordingly. We also closely monitor the inventory level of our distributors on a monthly basis through inspecting their distribution performance, sales records and collecting end-user feedbacks, which is the term of our distribution agreement. Based on their performance and inventory level, we can adjust their sales target and limit the amount of products to be delivered to them to avoid accumulation of inventory at our distributors level.

We have established inventory control procedures to track in-coming and out-going inventory. We adopt a first-in, first-out method of physical inventory management. We conduct physical counting of our inventory at least once a month. Results of each stock-take are verified against and reconciled with inventory records in our accounts and warehouse. Any discrepancies are clinically proven and thoroughly investigated by our finance and inventory personnel and corrective measures are implemented by our inventory personnel. For the three years ended 31 December 2007, 2008 and 2009,

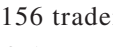
our average inventory turnover days were 90, 84 and 77 days, respectively. The typical life span of our products is one and a half to three years. Raw materials or finished goods that are obsolete or expired are generally written off and disposed of according to relevant regulations. During the Track Record Period, we have written off obsolete raw materials and stock, but the amount of write-offs is insignificant.

INTELLECTUAL PROPERTY RIGHTS

We recognise the importance of intellectual property rights to our business and are committed to their development and protection. We rely on a combination of patents, trademarks and trade secrets, as well as employee and third party confidentiality agreements to safeguard our intellectual property. We have a product registration and management team located in Beijing, which is responsible for our product registration, patent application, intellectual property rights protection and other related matters.

We own and have applied for patents to protect the technologies, inventions and improvements that we believe are significant to our business. As of the Latest Practicable Date, we held 99 patents in the PRC. In addition, we had 233 pending patent applications in the PRC and four overseas.

The validity period for our utility patents and packaging design patents is 10 years and the validity period for our invention patents is 20 years, starting from the date the relevant application is filed. All of these patents were issued in the PRC. As with patent rights in most other jurisdictions, a patent holder in the PRC enjoys the exclusive right to exclude others from using, licensing and otherwise exploiting the patent in the PRC. However, there is no assurance that our patents will not be challenged in the PRC, which could be costly to defend and could divert our management from their normal responsibilities. See the section headed "Risk Factors — Risks Relating to Our Business — We may be exposed to infringement claims if we infringe third-party proprietary or intellectual property rights" in this prospectus.

We also rely on trademarks to protect our non-patented products. As of the Latest Practicable Date, we maintained 156 trademark registrations in the PRC, including Sihuan (

), Kelinao, Anjieli and Chuanqing. As of the Latest Practicable Date, we also had 85 trademark applications filed and pending the approval of the PRC Trademark Office of the SAIC. Under PRC law, we have the exclusive right to use a trademark for products and services for which such trademark has been registered with the PRC Trademark Office of the SAIC. Trademark registration in the PRC is valid for 10 years, starting from the day the registration is approved. If we believe that a third party has infringed upon the exclusive right of our registered trademark, we may, through appropriate administrative and civil procedures, institute proceedings to request an injunction from the relevant authority or resolution of the infringement through consultation. The relevant authority can also impose fines, confiscate or destroy the infringing products or equipment used to manufacture the infringing products.

We believe that certain of our trademarks are well recognised in the PRC among medical professionals, pharmacists and patients. In particular, our "Sihuan" brand was awarded "Hainan

Province Well-Known Brand" by the Industrial and Commercial Administration Bureau of Hainan Province in 2006. As our brand names are becoming more recognised in the pharmaceutical market in the PRC, we are devoting additional resources to increasing and enforcing our trademark rights, which is critical to our overall branding strategy and reputation.

Some elements of our pharmaceutical composition, formulation and delivery, as well as manufacturing methods or processes, involve unpatented, proprietary technology, processes, know-how or data. With respect to such proprietary know-how that is not patentable and processes for which patents are difficult to enforce, we rely on trade secret protection and confidentiality agreements in order to safeguard our interests. All of our research and development personnel have entered into confidentiality, non-competition and proprietary information agreements with us. These agreements require such employees to assign to us all of their inventions, designs and technologies that they may develop during their periods of employment with us. In addition, there is a strict segregation of duties among personnel involved in different stages of our production process. This, we believe, serves to reduce the risk of any single staff member obtaining the technical know-how relating to the entire production process.

If our trademarks are challenged, our brand name is damaged or our trade secrets become known by our competitors, there could be a material adverse effect on our business. See the section headed "Risk Factors — Risks Relating to Our Business — We may not be able to adequately protect our intellectual property rights" in this prospectus. Our Directors confirm that we have not violated any intellectual property rights or faced intellectual property claims by third parties during the Track Record Period. For details of our patents, trademarks or intellectual property, see Appendix VIII to this prospectus.

In addition to protecting our own intellectual property, our success also depends on our ability to minimise the risk that any of our products or operations infringes the intellectual property rights of others. We follow a procedure under which our internal research and development staff and external patent agent or legal advisers conduct a patent clearance search for each product at the beginning of the product development process, and product development is only approved if the conclusion is that the proposed product would not infringe any third-party intellectual property rights discovered in our searches. We believe that the risk of infringing third-party intellectual property rights can be effectively reduced by our rigorous adherence to these procedures. To date, we have not been sued based on, and have not undergone arbitration in respect of, nor have we received any notification from third parties that claim any infringement of intellectual property of third parties. Further, to date, we have not been the subject of any adverse finding in an investigation or audit by any governmental authorities in respect of any infringement of intellectual property of third parties. However, despite our internal control procedures, the risk of infringing third party intellectual property cannot be eliminated entirely. See the section headed "Risk Factors — Risks Relating to Our Business — We may be exposed to infringement claims if we infringe third-party proprietary or intellectual property rights" in this prospectus.

COMPETITION

The pharmaceutical market in the PRC is intensely competitive, rapidly evolving and highly fragmented. According to IMS, there were approximately 3,600 pharmaceutical manufacturers in the PRC as of 31 December 2009. In 2009, the top 20 manufacturers accounted for approximately 24.7% of the total sales of the pharmaceutical market in the PRC, with the top manufacturer accounting for 2.2% of the market.

We face direct competition from pharmaceutical manufacturers producing the same type of pharmaceutical products and indirect competition from pharmaceutical manufacturers producing products that are for the similar indication or in the similar therapeutic area, which can be used as substitutes to our products. We also face potential competition from pharmaceutical manufacturers who may enter into our markets or those already present in the markets that we plan to enter. Our competitors vary by product:

For Kelinao and Anjieli, since they are the only SFDA-approved drugs containing the active ingredient of cinepazide maleate in the PRC and hence enjoy a 100% market share of the cinepazide maleate market in the PRC, the main competitive products are other peripheral vasodilation drugs with similar indication, such as nimodipine manufactured by Bayer, edaravone manufactured by Simcere Pharmaceutical Group and GM1 manufactured by Qilu Pharmaceutical Co., Ltd.

For Chuanqing, whose market share was 58.1% in 2009, the main competitive products are ligustrazine hydrochloride products manufactured by Hefei Pingguang Pharmaceutical Co., Ltd., which had a market share of 16.4% of all ligustrazine Hydrochloride products sold in the PRC in 2009. Chuanqing also faces competition from Xueshuantong Injection manufactured by Guangxi Wuzhou Pharmaceutical (Group) Co., Ltd., which has similar indication.

For Qu'Ao, whose market share was 22.4% in 2009, the main competitive products are cerebroprotein hydrolysate products manufactured by Yunnan Mengsheng Pharmaceutical Co., Ltd. and cerebrolysin manufactured by Ebewe Pharma Ges.m.b.H. Nfg. KG, which had market shares of 41.7% and 5.0%, respectively, of all cerebroprotein hydrolysate products sold in the PRC in 2009.

For Aogan, whose market share was 3.2% in 2009, the main competitive products are GM1 products manufactured by Shandong Qilu Pharmaceutical Co., Ltd., Heilongjiang Harbin Medical University Pharmaceutical Co., Ltd. and Changchun Xiangtong Pharmaceutical Co., Ltd., which had market shares of 59.8%, 23.0% and 7.9%, respectively, of all GM1 products sold in the PRC in 2009.

For Kanglixin, whose market share was 14.3% in 2009, the main competitive products are injectable cefpiramide products manufactured by Guangdong Bozhou Pharmaceutical Co., Ltd. and Shandong Luoxin Pharmaceutical Co., Ltd., which had market shares of 12.8% and 8.8%, respectively, of all injectable cefpiramide products sold in the PRC in 2009.

For Anjiejian, whose market share was 13.6% in 2009, the main competitive products are cefmenoxime hemihydrochloride products manufactured by Zhejiang Jianfeng Pharmaceutical Co., Ltd. and Guilin Aolin Pharmaceutical Co., Ltd., which had market shares of 46.8% and 28.1%, respectively, of all injectable cefmenoxime products sold in the PRC in 2009.

For our naloxone hydrochloride products, whose total market share was 4.3% in 2009, the main competitive products are naloxone hydrochloride products manufactured by Beijing Kaiyin Pharmaceutical Co., Ltd. and Beijing Huasu Pharmaceutical Co., Ltd., which had market shares of 17.1% and 9.9%, respectively, of all naloxone hydrochloride products sold in the PRC in 2009.

For ambroxol hydrochloride, whose market share was 5.4% in 2009, the main competitive products are ambroxol hydrochloride products manufactured by Boehringer Ingelheim International Trading Co., Ltd. and Shenyang New Horse Pharmaceutical Co., Ltd., which had market shares of 33.4% and 15.4%, respectively, of all ambroxol hydrochloride products sold in the PRC in 2009.

Some of our pharmaceutical products are not protected by patents and are therefore subject to competition from other generic pharmaceutical products. However, the SFDA may, at its discretion subject to certain limitations, grant first-to-market generic drugs a multiple-year protection period, during which other pharmaceutical companies cannot apply for the registration of pharmaceutical products with the same chemical structure, formulation and indication. Once the protection period elapses, other manufacturers would be able to produce pharmaceutical products with the same chemical structure, formulation and indication, and may be able to sell such products at a lower price. As a result, hospitals, clinics, pharmacies and other retail outlets may choose such lower priced products over our pharmaceutical products. See the section headed "Industry — First-to-Market Generic Drugs" in this prospectus. Furthermore, with respect to our patented pharmaceutical products, the existence of a patent may not necessarily protect us from competition as our patent may be challenged, invalidated or held to be unenforceable. This is because patent applications can take many years to be approved and issued and currently pending applications may later result in issued patents that our product candidates or technologies may infringe.

The pharmaceutical industry is characterised by rapid product development and technological change. Our pharmaceutical products could be rendered obsolete or made uneconomical by the development of new pharmaceutical products to treat the conditions addressed by our pharmaceutical products, technological advances affecting the cost of production, or marketing or pricing actions by one or more of our competitors. Our competitors may also be able to obtain regulatory approval for new products more quickly than we are and, therefore, may begin to market their products in advance of our products. We believe that competition among pharmaceutical products in the PRC will continue to be based on, among other things, brand name recognition, product efficacy, safety, reliability, availability, promotional activities and price.

Many of our existing and potential competitors have greater financial, technical, manufacturing or other resources than we do. We will also face strong competition when we expand into other markets, where the existing competitors may have already established their positions. Many of our competitors may also have greater brand name recognition, more established distribution networks, larger customer bases or more extensive knowledge of our customer groups. In addition, certain of our competitors may adopt low-margin sales strategies and compete against us based on lower prices. Furthermore, as a result of the PRC's admission to the World Trade Organization in 2001 and subsequent changes in PRC government laws and regulations, we may also face increasing competition from foreign manufacturers in addition to domestic manufacturers. Subsequent to the reduction of import tariffs pursuant to the PRC's World Trade Organization obligations, the selling prices in the PRC of imported pharmaceutical products have become more competitive. Also, some foreign pharmaceutical manufacturers have set up domestic production bases in the PRC leading to increasing direct competition, such as Sanofi Aventis, Pfizer and GlaxoSmithKline.

PROPERTIES

As of the Latest Practicable Date, we held the land use rights to three parcels of land with an aggregate site area of approximately 72,009.6 sq.m. and building ownership certificates to various buildings and units in the PRC with a total gross floor area of approximately 20,138.0 sq.m., which were used for production, ancillary facilities, administrative offices, residential purpose and some ancillary buildings. We have obtained land use right certificates and building ownership certificates for substantially all of our properties. As of the Latest Practicable Date, we leased three parcels of land

having an aggregate site area of approximately 23,374.1 sq.m. and 15 buildings and units, comprising a total gross floor area of approximately 3,970.52 sq.m. for administrative offices, storage facilities and residential purpose. The details of the properties are set forth in Appendix IV to this prospectus.

During the Track Record Period, Beijing Sihuan constructed two steel-frame interim buildings on its own land, i.e. a packaging plant and an employee cafeteria. As they were meant to be a temporary solution, Beijing Sihuan did not undertake the planning procedure for these interim buildings. As a result, Beijing Sihuan may be required to remove these buildings prior to a deadline that may be set by relevant authorities. The costs of removing and scrapping the packaging plant and the employee cafeteria are expected to be approximately RMB500,000. Beijing Sihuan may also be fined by relevant authorities with a maximum amount of approximately RMB2.85 million in relation to these interim buildings.

Beijing Sihuan also constructed a Kelinao API manufacturing plant, a boiler room and a reception office built on Beijing Sihuan's own land with a total area of 2,931.50 sq.m., and a scale-up facility and an oral solid medicine packaging factory with a total area of 781.5 sq.m., partially on Beijing Sihuan's own land and partially on its leased state-owned allocated land. The Kelinao API manufacturing plant has a designed production capacity of 5 tons per year. The scale-up facility is used for product research and development purpose. Beijing Sihuan has not acquired the relevant construction planning permits for these buildings and may be ordered by relevant authorities to remove these buildings. If Beijing Sihuan is ordered to remove these buildings, we plan to demolish these buildings. We have already planned to construct new Kelinao API manufacturing facilities as part of the production facilities that are currently under construction in Langfang. We have also included scale-up and packaging facilities as part of the production facilities that are currently under construction in Beijing. The boiler room will be reconstructed with proper construction planning permits and other building permits with an estimated construction cost of RMB150,000. These new facilities will be built on alternative premises previously identified with perfected land use rights. The cost of demolishing the Kelinao API manufacturing plant, the boiler room, the reception office, the scale-up facility and the oral solid medicine packaging factory is expected to be approximately RMB100,000, RMB50,000, RMB10,000, RMB100,000 and RMB100,000, respectively. Beijing Sihuan may also be fined by relevant authorities with a maximum amount of approximately RMB274,557.2 in relation to these buildings.

The parcel of leased state-owned allocated land mentioned above was acquired as part of the acquisition of Beijing Sihuan in December 2003, and has a total area of 2,178 sq.m. Beijing Sihuan entered into a lease agreement with Beijing Air Force No. 2 Food Production Base (北空第二副食品生產基地) for a consideration of RMB150,000 in total to lease this parcel of land for a term expiring on 18 June 2028. In reliance on the long-term lease, we constructed the above-mentioned scale-up facility and oral solid medicine packaging factory in the building that already existed at the time of the acquisition. However, our PRC legal advisers have advised us that pursuant to the applicable PRC laws and regulations, state-owned allocated land cannot be used or leased for private industrial use. Accordingly, the lease agreement that we entered into with regard to the state-owned allocated land occupied by Beijing Sihuan is not in compliance with PRC laws and regulations and is not enforceable against the lessor. In addition, we have not obtained any land use or construction planning permits for constructing the facilities on this parcel of leased land, and as a result of defective land use right, we cannot obtain relevant building ownership certificates for these facilities. Our PRC legal advisers have

advised us that these facilities may be ordered to be demolished and we may be ordered to pay administrative fines by relevant authorities. Due to such non-compliant use of the state-owned allocated land occupied by the abovementioned buildings, Beijing Sihuan may also be fined by the relevant authorities with a maximum amount of approximately RMB65,340.

During the Track Record Period, Langfang Sihuan acquired a parcel of land with a total area of 80 mu located in Langfang, Hebei. As of the Latest Practicable Date, we have obtained proper land use right to 50 out of 80 mu of this parcel of land. As a result, we entered into a land leasing agreement with Houyi Town Lifengxian Village Committee for a consideration of RMB30,000 per year to lease the remaining parcel of land of 30 mu until we obtain the proper land use right. This parcel of 30 mu is designated as farmer collectively owned land. In reliance on the lease, we constructed certain ancillary facilities, including a warehouse, a boiler room and a laundry room for a total gross floor area of approximately 3,350.4 sq.m. on the leased land. Before the construction of the relevant facilities, we had consulted with different levels of local governments, and had obtained Hebei Province Youqing County Houyi Town government's support in terms of obtaining land use right to the total relevant land area in due course. However, our PRC legal advisers have advised us that pursuant to the applicable PRC laws and regulations, farmer collectively owned land cannot be used or leased for private industrial use. Accordingly, the lease agreement that we entered into with regard to the farmer collectively owned land occupied by Langfang Sihuan is not in compliance with PRC laws and regulations and is not enforceable against the lessor. In addition, we have not obtained any land use or construction planning permits for constructing the facilities on this parcel of leased land, and as a result of defective land use right, we cannot obtain relevant building ownership certificates for these facilities. According to the relevant PRC laws, due to its non-compliant use of the foregoing land, Langfang Sihuan may be required to return and restore the land and remove buildings on it. The cost of removing and scrapping the warehouses, boiler rooms, laundries and other buildings in Langfang is expected to be RMB480,000. The cost of rebuilding these facilities on alternative premises is expected to be RMB2.8 million. Langfang Sihuan may also be fined by the relevant authorities with a maximum amount of approximately RMB886,003.

During the Track Record Period, KBP BioSciences built a dormitory and a warehouse with a total area of 144.64 sq.m. on its own land. KBP BioSciences has not acquired the relevant construction planning permits as it was meant to be a temporary solution. However, our PRC legal advisers have advised us that KBP BioSciences may be ordered by the relevant authorities to remove such buildings and be subject to penalty with the maximum amount of RMB11,000. The removal cost of such buildings is expected to be insignificant.

We are exposed to risks relating to the above-mentioned improper land usage and defective titles owing to inadequacies in certain project executions by the above three subsidiaries. Such unfortunate consequences were due to inadvertent oversight in project management rather than any willful behavior on the part of our Company. None of the above-mentioned buildings and facilities are crucial to our operation, as currently, most of the abovementioned buildings and facilities are not in operation, except for the boiler room and occasionally the scale-up facility and the Kelinao API manufacturing plant, and do not form a crucial part of our operation. Therefore, we do not expect our operations and financial position to be materially affected as a result of any demolition, relocation and/or payment of fine. We are closely liaising with the relevant local government and authorities with regard to obtaining the outstanding land use rights and building permits to the extent feasible. We are in the

process of obtaining relevant building ownership certificates to the extent feasible. We believe that there is no safety concerns with regard to the continued use of these units with defective titles, because the construction companies engaged by us have proper qualification and experience and the construction work was conducted based on industry standards.

Furthermore, according to PRC laws, Hainan Sihuan CVD Research's research laboratory is an interim building which can only be used for up to two years, unless otherwise permitted to be extended for one additional year. The service period for this laboratory expires on 30 December 2010.

We plan to seek a one-year extension to use the interim building for an additional year before moving Hainan Sihuan CVD Research's research laboratory to a rented building or to a building built by ourselves. In the event we are unable to attain the one-year extension, we may be required to demolish the interim building. In such a scenario, we plan to move the research operations of this laboratory to the Beijing Research Institute. Currently, the research operations mainly involve stability testing of certain products, which are not crucial to our operation. The majority of our research and development activities are carried out in subsidiaries located in Shandong and Beijing. Therefore, in either event, our research operations and capability would not be materially affected. We believe that there is no safety concerns with regard to the continued use of the interim building.

In the future, we will have our internal legal department to prevent mitigate or resolve any non-compliance issues of our Group by conducting legal knowledge training to raise people's awareness of legal compliance, increasing communication with authorities to reveal potential legal issues and adopting a systematic approach to monitor legal risks that are related to our business and operations. We will also seek outside counsel advice to prevent any recurrence of any similar events. We will avoid purchasing or leasing land or properties with defective titles by conducting proper land search and refrain from entering related agreements. Our Controlling Shareholders have provided an indemnity in favour of us for all potential losses, penalties, fines and damages arising from outstanding land and property titles, permits, approvals and unenforceable leases.

ENVIRONMENT AND SAFETY MATTERS

Our operations and facilities are subject to environmental laws and regulations stipulated by the national and the local environmental protection bureaus in the PRC. The main pollutants generated during our production process include waste water, waste gas, dust, noise and solid waste. We have established a pollution control system with dedicated personnel with on an average 10 years of experience working in related areas and are well-versed with the regulatory requirements applicable to our operation to inspect the production facilities and maintain environment protection equipment and facilities. We installed various types of pollution control equipment in our facilities to reduce, treat and recycle the waste generated in our production process. We also improve our production technique and select zero or low pollution raw materials to reduce the pollutants we discharge to the environment. When we plan for new products or new projects, we take into consideration the potential impact on the environment. For example, for the new production facilities we are constructing in Langfang, we have adopted the advanced purification tower of acid-mist to reduce the amount of waste gas discharge.

Our PRC legal advisers have opined that we are in compliance with relevant national or local environmental laws and regulations in the PRC in all material aspects and have obtained all material

permits, approvals and certifications required under PRC law in relation to our manufacturing facilities, including the discharge of waste water. Our facilities in the PRC are subject to regular inspection by environmental regulatory authorities. If these facilities are found not to be in compliance with the applicable environmental standards, we may be subject to penalties, which may range from fines to suspension of production. We have not been subject to any penalty or claim by any governmental or regulatory authorities in the PRC for any material breach of or non-compliance with any environmental laws or regulations. As the PRC legal system continues to evolve, we may be required to undertake significant expenditures in order to comply with environmental laws and regulations that may be adopted or imposed in the future.

The PRC government imposes a number of regulatory requirements on pharmaceutical companies with regard to employee health and safety. We regard occupational health and safety as one of our important social responsibilities and have implemented safety guidelines at our production facilities, to which all employees are required to strictly adhere. We also conduct regular work place safety training and exams for our employees and have dedicated personnel with an average 10 years of experience working in related areas and are well-versed with the regulatory requirements applicable to our operation to monitor different stages of the production process to ensure work place safety. Our production process is in compliance with GMP standards. During the Track Record Period, we have complied with all relevant national or local occupational health and safety laws and regulations and there were no major accidents that resulted in the death or serious injury of our employees.

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 the PRC, including GMP certification requirements and requirements governing the construction and expansion of our manufacturing plants and facilities. There is no assurance, however, that we will not be subject to environmental liabilities in the event of an accident or other unexpected event, in which case we may be responsible for substantial cleanup costs. If we do not have adequate insurance coverage to cover such loss, our financial condition and results of operations may be materially adversely affected. See the section headed "Risk Factors — Risks Relating to Our Business — Our insurance coverage may not completely cover the risks related to our business and operations" in this prospectus.

LEGAL AND COMPLIANCE

Licence and permit

As a developer, manufacturer and distributor of pharmaceutical products, we are subject to regulation and oversight by different levels of the food and drug administration in the PRC, in particular, the SFDA. We are also subject to other PRC laws and regulations that are applicable to manufacturers and distributors in general.

A summary of the relevant PRC laws and regulations which our business operations are subject to in the PRC is set out in Appendix VII to this prospectus. We have obtained all material licenses, permits, approvals and consents for our business operations in the PRC, except for those that are currently under re-registration, and have complied with all relevant laws and regulations.

As of the Latest Practicable Date, we have obtained 51 manufacturing permits from the SFDA for the manufacture of the following pharmaceutical products, some of which are currently manufactured and sold by us, while the others are currently not manufactured or sold in the market. Particulars of these manufacturing permits are set out below:

	Product Name	New Drug Certification No.	Manufacturing Permit No.	Manufacturing Permit Expiry Date[3]	Currently Manufactured and Sold by us
1.	Kelinao (Cinepazide Maleate Injection)[1] 克林澳 (馬來酸桂哌齊特注射液)	H20020088	H20020125 (80mg)	7 October 2015	√
2.	Anjieli (Cinepazide Maleate Injection)[1] 安捷利 (馬來酸桂哌齊特注射液)	N/A	H20061204 (320mg)	7 October 2015	√
3.	Xingmai (Ginkgo Dispersible Tablets) 杏脉 (銀杏葉分散片)[2]	Z20050247	Z20055421 (0.525mg)	10 August 2015	√
4.	Kangsiao (Adenosine Cyclophosphate Injection) [1] 康斯澳 (環磷腺苷注射液)	H20051134	H20051685 (2 ml: 20mg)	10 October 2015	√
5.	Naloxone Hydrocholoride for Injection[1] (注射用鹽酸納洛酮)	N/A	H20060556 (0.4mg)	27 April 2011	√
6.	Xinpuao (Naloxone Hydrocholoride for Injection)[1] 欣浦澳 (注射用鹽酸納洛酮)	H20060351	H20060555 (1mg)	27 April 2011	√
7.	Naloxone Hydrocholoride for Injection[1] (注射用鹽酸納洛酮)		H20060554 (2mg)	27 April 2011	√
8.	Propylgallate for Injection (注射用棓丙酯)	N/A	H20055217 (60mg)	8 October 2015	√
9.	Citicoline Sodium for Injection (注射用胞磷膽鹼鈉)	N/A	H20064521 (0.25g)	12 April 2011	
10.	Naloxone Hydrochloride Injection (鹽酸納洛酮注射液)	N/A	H20055760 (2ml:2mg)	10 October 2015	√
11.	Naloxone Hydrochloride Injection (鹽酸納洛酮注射液)		H20055759 (1ml:1mg)	10 October 2015	√
12.	Naloxone Hydrochloride Injection (鹽酸納洛酮注射液)		H20055758 (1ml:0.4mg)	10 October 2015	√
13.	Metformin Hydrochloride Tablets (鹽酸二甲雙胍片)	N/A	H11020127 (0.25g)	10 August 2015	
14.	Ren' Ao (Oxcarbazepine Tablets)[1] 仁澳(奧卡西平片)	H20051024	H20051518 (0.3g)	10 August 2015	√
15.	Oxcarbazepine[1] (奧卡西平)	H20051023	H20051517	10 August 2015	
16.	Azithromycin Capsules (阿奇霉素膠囊)	N/A	H20058155 (0.25g)	10 August 2015	√
17.	Pudaao (Carbazochrome Sodium Sulfonate for Injection) 普達澳 (注射用卡絡磺鈉)	N/A	H20063944 (60mg)	4 March 2011	

	Product Name	New Drug Certification No.	Manufacturing Permit No.	Manufacturing Permit Expiry Date[3]	Currently Manufactured and Sold by us
18.	Pudaao (Carbazochrome Sodium Sulfonate for Injection) 普達澳 (注射用卡絡磺鈉)	N/A	H20066943 (40mg)	4 March 2011	
19.	Pudaao (Carbazochrome Sodium Sulfonate for Injection) 普達澳 (注射用卡絡磺鈉)		H20063941 (20mg)	4 March 2011	
20.	Pudaao (Carbazochrome Sodium Sulfonate for Injection) 普達澳 (注射用卡絡磺鈉)		H20063942 (80mg)	4 March 2011	
21.	Bismuth Potassium Citrate Granules (枸櫞酸鉍鉀顆粒劑)	N/A	H20044990 (1.2g:110mg)	14 September 2009[4]	
22.	Luomailing (Simvastatin Tablets) 羅邁靈 (辛伐他汀片)	N/A	H20093221 (10mg)	17 February 2014	√
23.	Aolaxin (Sodium Ozagrel for injection) 澳拉欣 (注射用奧扎格雷鈉)	N/A	H20073958 (20mg)	8 November 2012	
24.	Aolaxin (Sodium Ozagrel for injection) 澳拉欣 (注射用奧扎格雷鈉)		H20073971 (40mg)	8 November 2012	
25.	Aolaxin (Sodium Ozagrel for injection) 澳拉欣 (注射用奧扎格雷鈉)		H20074007 (80mg)	8 November 2012	
26.	Aogan (Monosialotetrahexosylgang- lioside Sodium for injection) 澳苷(單唾液酸四己糖神經節苷脂鈉注射液)	N/A	H20083224 (2ml:20mg)	23 March 2013	√
27.	Metformin Hydrochloride and Glibenclamide Tablets (二甲雙胍格列本脲片)	N/A	H20080100 (0.25g and 1.25mg)	17 March 2013	
28.	Pantoprazole Sodium Injection (注射用泮托拉唑鈉)	N/A	H20084309 (40mg)	21 September 2013	
29.	Pantoprazole Sodium Injection (注射用泮托拉唑鈉)		H20084310 (80mg)	21 September 2013	
30.	Mecobalamia Capsules [1] (甲鈷胺膠囊)	H20080046	H20080102 (0.5mg)	17 March 2013	
31.	Cilostarol Capsules (西洛他唑膠囊)	N/A	H20080401 (50mg)	15 June 2013	
32.	Tremella Polysaccharide Enteric-coated Capsules (銀耳孢糖腸溶膠囊)	N/A	H20056285 (0.25g)	10 August 2015	
33.	Bisoprolol Fumarate (富馬酸比索洛爾)	N/A	H20059159	27 November 2010	
34.	Nicergoline (尼麥角林)	N/A	H20067160	17 July 2011	
35.	Carbazochrome Sodium Sulfonate (卡絡磺鈉)	N/A	H20064033	1 March 2011	
36.	Nicergoline for Injection (注射用尼麥角林)	N/A	H20084282 (2mg)	21 September 2013	

	Product Name	New Drug Certification No.	Manufacturing Permit No.	Manufacturing Permit Expiry Date[3]	Currently Manufactured and Sold by us
37.	Nicergoline for Injection (注射用尼麥角林)	N/A	H20084283 (4mg)	21 September 2013	
38.	Nicergoline for Injection (注射用尼麥角林)		H20084284 (8mg)	21 September 2013	
39.	Buluofen Tablets (布洛芬片)	N/A	H11020128 (0.1g)	9 July 2007[4]	
40.	Xiaobendiping Tablets (硝苯地平片)	N/A	H11020125 (10mg)	9 July 2007[4]	
41.	Yansuan Tablets (烟酸片)	N/A	H11020126 (0.1g)	9 July 2007[4]	
42.	Gliclazide Tablets (格列齊特片)	N/A	H11020121 (80mg)	10 August 2015	
43.	Nilestriol Tablets (尼爾雌醇片)	N/A	H11020123 (1mg)	10 August 2015	
44.	Nilestriol Tablets (尼爾雌醇片)	N/A	H11020124 (2mg)	9 July 2007[4]	
45.	Thymopeptides Enteric-coated Tablets (胸腺肽腸溶片)	N/A	H20000671 (3mg)	10 August 2015	
46.	Bifonazole Vaginal Tablets[1] (聯苯苄唑陰道片)	(1999)X-28	H19991046 (0.1g)	10 August 2015	
47.	Omeprazole Sodium for Injection (注射用奧美拉唑鈉)	N/A	H20055755 (40mg)	16 June 2010[4]	
48.	Naloxone Hydrochloride (鹽酸納洛酮)	N/A	H20055757	10 August 2015	
49.	Nilestriol (尼爾雌醇)	N/A	H11020122	10 August 2015	
50.	Cinepazide Maleate (馬來酸桂哌齊特)	N/A	H20020124	10 August 2015	
51.	Felodipine Pian (非洛地平片)	N/A	H20103399	18 March 2015	

Notes:

(1) The new medicine certificates for these products are issued to us solely for products 1, 4 and 6 and jointly with third parties for products 14 (with Chongqing Renben Drug Research Institute (重慶人本藥物研究院)), 15 (with Chongqing Renben Drug Research Institute (重慶人本藥物研究院)), 30 (with Harbin Xinghuo Drug Research Institute (哈爾濱星火藥物研究院)) and 46 (with the Military Medical Science Academy (軍事醫學科學院)).

(2) The new medicine certificates for these products are issued to third parties.

(3) Pharmaceutical manufacturing license is valid for five years. The pharmaceutical manufacturing enterprise must apply for an extension six months prior to the permit expiration. As of the Latest Practicable Date, we have applied for an extension for all permits that are to expire in six months.

(4) The manufacturing permits for these products have expired as at the Latest Practicable Date. Our PRC counsel has confirmed that we have submitted the applications to re-register the manufacturing permits in accordance with the applicable PRC laws and regulations and that they are not aware of any legal impediment to re-registering the manufacturing permits. Since the re-registration applications have been submitted and accepted, our PRC counsel has confirmed that manufacturing permits for such products will, pending the re-registration procedures, continue to be used during such period notwithstanding their expiry and the risk of us not being able to obtain the re-registration is remote.

As of the Latest Practicable Date, the manufacturing permits for the following products have been issued by the SFDA to third-party pharmaceutical companies, with whom we have entered into subcontracting manufacturing agreements or nationwide exclusive distribution agreements. Under these agreements, the pharmaceutical manufacturing companies have undertaken to manufacture the products exclusively for us.

	Product Name	New Drug Certification No.	Manufacturing Permit No.	Manufacturing Permit Expiry Date[3]	Currently in Production by third parties and Sold by us
1.	Saimeiao (Buflomedil Hydrochloride for Injection)[2] 賽美澳 (注射用鹽酸丁咯地爾)	H20020268	H20020386 (50mg)	6 August 2007[4]	√
			H20051062 (0.1g)	6 August 2007[4]	
			H20051063 (0.2g)	6 August 2007[4]	
2.	Chuanqing (Lingustrazine Hydrochloride for Injection)[1] 川青 (注射用鹽酸川芎嗪)	H20030414	H20030553 (0.12g)	1 June 2008[4]	√
			H20041175 (80mg)	1 June 2008[4]	
			H20041171 (40mg)	1 June 2008[4]	
3.	Ganfuxin (Vinpocetine for Injection)[2] 甘複欣 (注射用長春西汀)	H20051206	H20051750 (10mg)	11 September 2010[4]	√
			H20051751 (20mg)	11 September 2010[4]	
4.	Weiaiao (Matrine for Injection (0.15g)[2] 唯愛澳 (注射用苦參碱)	H20030570	H20030735	4 August 2008[4]	√
5.	Weiboxin 維博欣 (1g) Paiqixin 哌奇欣 (2g) Cefoxitin sodium for injection 注射用頭孢西丁鈉	N/A	H20055557 (1g)	7 June 2010[4]	√
			H20055558 (2g)	7 June 2010[4]	
6.	Puqiao (Cefpirome Sulfate for Injection) 普奇澳 (注射用硫酸頭孢匹羅)	N/A	H20065159 (0.5g)	15 May 2011	√
			H20065160 (1g)	15 May 2011	
7.	Huanpingshu 緩平舒 (化風丹)	N/A	Z20026460	30 November 2007[4]	√
8.	Liying[2] 立贏 (柏子養心膠囊)	Z20050167	Z20050158	31 March 2010[4]	√
9.	Aisenao (Aceglutamide for Injection)[2] 艾森澳 (注射用乙醯谷醯胺)	H20050661	H20050987 (0.3g)	26 May 2010[4]	√
			H20050988 (0.6g)	26 May 2010[4]	

	Product Name	New Drug Certification No.	Manufacturing Permit No.	Manufacturing Permit Expiry Date[3]	Currently in Production by third parties and Sold by us
10.	Qu'Ao (Cerebroprotein Hydrolysate for Injection)[2] 曲奧 (注射用腦蛋白水解物)	H20050935	H20051202	24 June 2010[4]	√
11.	Aodaxing 澳達興 (1.5g and 3g) Aobijian 澳必健 (0.75g) Aogexing 澳格星 (2.25g) (Cefoperazone Sodium and Sulbactam Sodium for Injection) (2:1) 注射用頭孢哌酮鈉舒巴坦鈉 (2:1)	N/A	H20040716 (1.5g)	1 June 2009[4]	√
			H20044347 (3g)	1 June 2009[4]	
			H20044346 (0.75)	1 June 2009[4]	
			H20045273 (2.25g)	1 June 2009[4]	
12.	Kanglixin 抗力欣 (0.5g and 1g) Xiboao 希柏澳 (2g) (Cefpiramide sodium for Injection) 注射用頭孢匹胺鈉	N/A	H20043923 (1g)	3 June 2009[4]	√
			H20045271 (0.5g)	3 June 2009[4]	
			H20045272 (2g)	3 June 2009[4]	
13.	Yijianxin (Cefepime Dihydrochloride for Injection)[2] 益健欣 (注射用鹽酸頭孢吡肟)	H20080049	H20080106	17 March 2013	√
14.	Anjiejian (Cefmenoxime Hydrochloride for lnjection) 安捷健 (注射用鹽酸頭孢甲肟)	N/A	H20070005 (1g)	3 January 2012	√
15.	Ceftezole Sodium for Injection 注射用頭孢替唑鈉	N/A	H20084170 (0.75g)	21 September 2013	√
			H20084172 (1.5g)	21 September 2013	
16.	Aipukang (Boanmycin Hydrochloride for Injection)[2] 艾普康 (注射用鹽酸博安霉素)	H20040620	H20060214	23 June 2009[4]	√
17.	Bosheng (Calcium Folinate for Injection) 博生 (注射用亞葉酸鈣)	N/A	H20034162 (100mg)	30 December 2008[4]	√
			H20034161 (200mg)	30 December 2008[4]	
18.	Bodaping (Paclitaxel Injection) 博達平 (紫杉醇注射液)	N/A	H20057878 (5ml:30mg)	12 October 2010	√
			H20057879 (10ml:60mg)	12 October 2010	
19.	Xinpusen 辛普森 (10ml:80mg) Laipusen 萊普森 (10ml:70mg) Thymopolypeptides Injection 胸腺肽注射液	N/A	H20054513 (10ml:80mg)	9 July 2007[4]	√
			H20054512 (10ml:70mg)	9 July 2007[4]	

	Product Name	New Drug Certification No.	Manufacturing Permit No.	Manufacturing Permit Expiry Date[3]	Currently in Production by third parties and Sold by us
20.	Yidu (Phenazopyridine Hydrochloride Capsules)[2] 怡度 (鹽酸非那吡啶膠囊)	H20051764	H20052581	14 December 2010	√
21.	Weiboqi (Water-soluble Vitamin for Injection) 維博奇 (注射用水溶性維生素)	N/A	H20056325	13 July 2010[4]	√
22.	Luoanming (Amino Acid Injection) 洛安命 (氨基酸注射液)	N/A	H20068014	21 July 2010[4]	√
23.	Pudaao (Carbazochrome Sodium Sulfonate for Injection) 普達澳 (注射用卡絡磺鈉)	N/A	H20067414 (80mg)	9 July 2011	√
			H20067415 (60mg)	9 July 2011	
			H20066943 (20mg)	9 July 2011	
24.	Qingtong (Edaravone Injection) 清通 (依達拉奉注射液)	N/A	H20080592 20ml:30mg	11 September 2013	√
25.	Cefminox Sodium for Injection (注射用頭孢米諾鈉)	N/A	H20070034 0.25g	14 July 2010[4]	√
			H20056297 0.5g	14 July 2010[4]	
			H20056298 1g	14 July 2010[4]	
			H20056295 1.5g	14 July 2010[4]	
			H20056296 2g	14 July 2010[4]	
26.	Cefonicid Sodium for Injection (注射用頭孢尼西鈉)	N/A	H20044468 0.5g	22 July 2009[4]	√
			H20058717 1g	22 July 2009[4]	
			H20058718 2g	22 July 2009[4]	
27.	Pojia (Sulbenicillin Sodium for Injection) 頗佳 (注射用磺苄西林鈉)	N/A	H20063806 2g	4 March 2011	√
28.	Ondansetron Hydrochloride Injection (鹽酸昂丹司瓊注射液)	N/A	H20054704 2ml:4mg	18 April 2010[4]	√
29.	Thymopentin for Injection (注射用胸腺五肽)	N/A	H20045991 1mg	18 November 2009[4]	√
30.	Zhuo' Ao, Bi'Ao (Ambroxol Hydrochloride for Injection) 卓澳; 必澳 (注射用鹽酸氨溴索)	N/A	H20060154 15mg	27 February 2011	√
			H20060155 30mg	27 February 2011	

	Product Name	New Drug Certification No.	Manufacturing Permit No.	Manufacturing Permit Expiry Date[3]	Currently in Production by third parties and Sold by us
31.	Omeprazole Sodium for Injection (注射用奧美拉唑鈉)	N/A	H20056134 40mg (按奧美拉唑計)	30 June 2010[4]	√
32.	Fufang Weitong Capsules 複方胃痛胶囊	N/A	Z20025400 0.28g	30 November 2007[4]	√
33.	Alanyl Glutamine for Injection (注射用丙氨酰谷氨酰胺)	N/A	H20052588 10mg	21 December 2010	√
34.	Meclofenoxate Hydrochloride for Injection (注射用鹽酸甲氯芬酯)	N/A	H20084087 0.25g	11 September 2013	
35.	Meclofenoxate Hydrochloride for Injection (注射用鹽酸甲氯芬酯)	N/A	H20084086 0.1g	11 September 2013	
36.	Ifosfamide for Injection (注射用異環磷醯胺)	N/A	H20084383 0.5g	12 October 2013	
37.	Ifosfamide for Injection (注射用異環磷醯胺)	N/A	H20084384 1g	12 October 2013	
38.	Paclitaxel Injection (紫杉醇注射液)	N/A	H20084032 5ml:30mg	1 September 2013	
39.	Paclitaxel Injection (紫杉醇注射液)	N/A	H20084033 16.7ml:100mg	1 September 2013	
40.	Tiopronin for Injection (注射用硫普羅寧)	N/A	H20093094 0.2g	8 January 2014	

Notes:

(1) The new medicine certificates for this product have been issued jointly to us and a prominent state-sponsored research institute.

(2) The new medicine certificates for these products are issued to third parties.

(3) Pharmaceutical manufacturing license is valid for five years. The pharmaceutical manufacturing enterprise must apply for an extension six months prior to the permit's expiration. As of the Latest Practicable Date, our subcontracting manufacturers and third-party drug suppliers have applied for an extension for all permits that are to expire in six months.

(4) The manufacturing permits for these products have expired as at the Latest Practicable Date. Our PRC counsel has confirmed that the applicable third-party pharmaceutical companies has submitted the applications to re-register the manufacturing permits in accordance with the applicable PRC laws and regulations and that they are not aware of any legal impediment to the applicable third party pharmaceutical companies in re-registering the manufacturing permits. Since the re-registration applications have been submitted and accepted, our PRC counsel has confirmed that manufacturing permits for such products will, pending the re-registration procedures, continue to be used during such period notwithstanding their expiry and that the risk of not being able to obtain the re-registration is remote.

According to the Measures on the Administration of Pharmaceutical Products Registration (藥品注冊管理辦法), pharmaceutical manufacturers are required to register their products with the SFDA to obtain manufacturing permits prior to commencement of manufacture of the pharmaceutical products. The registration is valid for a term of five years, which must be re-registered within six months prior to expiration by submitting required application materials to the relevant drug administration authorities.

For those of our products for which manufacturing permits have expired, applications have been submitted to re-register the manufacturing permits in accordance with the applicable PRC laws and regulations. We have obtained re-registered manufacturing permits for APIs and products in tablet and capsule formulations. However, we have not obtained re-registered manufacturing permits for certain products in small volume liquid for injection and lyophilised powder for injection formulations because the re-registration procedures are currently ongoing. We obtained the re-registered manufacturing permits for Kelinao and Anjieli on 8 October 2010 which are valid until 7 October 2015. According to a notice issued by the SFDA on 9 March 2007 (《關於開展藥品再註冊受理工作有關事宜的通知》食藥監辦[2007]42號), the manufacturing permits that are currently pending re-registration can be used during the re-registration period. Furthermore, according to a notice issued by the SFDA on 31 July 2009 (《關於做好藥品再註冊審查審批工作的通知》國食藥監註[2009]387號) and a notice issued by SFDA on 29 September 2010 (《關於做好藥品再註冊審查審批工作的補充通知》國食藥監註[2010] 394號), the SFDA required the provincial level drug administration authorities to complete the re-registration process by 30 September 2010 and the applicants shall submit required application documents and research materials to relevant drug administration authorities.

However, as of the Latest Practicable Date, the re-registration procedures of small volume liquid for injection and lyophilised powder for injection formulations have not been completed by the relevant drug administration authorities and as a result, the manufacturing permits of these products are still expired. To our Directors' best knowledge, such re-registration process should be completed before October 2011. We have not received any rejection of re-registration notice from the relevant authorities. Our PRC counsel has confirmed that all applications to re-register the expired manufacturing permits have been submitted and accepted in accordance with the applicable PRC laws and regulations and that they are not aware of any legal impediment to re-registering the manufacturing permits. Since the re-registration applications have been submitted and accepted, our PRC counsel has also confirmed that manufacturing permits for such products will, pending the re-registration process, continue to be used during such period notwithstanding their expiry and that the risk of rejection of the re-registration is remote. In addition, our PRC counsel has confirmed that due to the provincial level drug administration authorities not being able to complete the re-registration process by 30 September 2010, the risk of us being required to suspend production of these products or subject to any penalties or fines is remote. We, together with our PRC counsel, have made informal oral inquiry with an official of the Beijing Drug Administration Drug Registration Division, who confirmed the above understanding.

The following major permits have been obtained by us for the purposes of our business and operations (apart from those pertaining to general business requirements):

Type of Permit/License	Purpose	Issuing Authority/Licensing Body	Validity Period
Drug Production License (藥品生產許可證)	Production of drugs	Beijing Drug Administration (北京市藥品監督管理局)	3 November 2009 to 31 December 2013
Drug Trading License (藥品經營許可證)	Trading of pharmaceutical drugs	Hainan Food and Drug Administration (海南省食品藥品監督管理局)	8 December 2009 to 7 December 2014
Certificate of Good Supply Practices for Pharmaceutical Products (藥品經營質量管理規範認證證書)	Quality management of the supply of pharmaceutical products	Hainan Food and Drug Administration (海南省食品藥品監督管理局)	29 September 2009 to 28 September 2014

Type of Permit/License	Purpose	Issuing Authority/Licensing Body	Validity Period
Drug Trading License (藥品經營許可證)	Trading of Pharmaceutical drugs	Hainan Food and Drug Administration (海南省食品藥品監督管理局)	20 November 2006 to 19 November 2011
Certificate of Good Supply Practices for Pharmaceutical Products (藥品經營質量管理規範認證證書)	Quality management of the supply of pharmaceutical products	Hainan Food and Drug Administration (海南省食品藥品監督管理局)	23 January 2007 to 22 January 2012
Drug Trading License (藥品經營許可證)	Trading of Pharmaceutical drugs	Guangdong Food and Drug Administration (廣東省食品藥品監督管理局)	2 November 2009 to 1 November 2014
Practices for Pharmaceutical Products (藥品經營質量管理規範認證證書)	Quality management of the supply of pharmaceutical products	Guangdong Food and Drug Administration (廣東省食品藥品監督管理局)	29 July 2009 to 28 July 2014

The following are the GMP certifications obtained by us:

Certificate No.	Scope of Certification	Validity Period
Jing G0153	Raw medicine (Naloxone Hydrochloride)	25 July 2005 to 24 July 2010
L5157	Lyophilised powder for injection	20 January 2010 to 19 January 2015
Jing G0181	Capsules Bulk Drug (Oxcarbazepine)	11 January 2006 to 10 January 2011
Jing I0275	Tablets	18 December 2007 to 17 December 2012
I4396	Small Volume Liquid for Injection	20 December 2007 to 19 December 2012
Jing J0356	Tablets, capsules, granules	18 February 2009 to 17 February 2014

Renewal procedures for the above permits are to be carried out six months prior to the expiry of the validity periods. Our Directors are not aware of any reason that would cause or lead to the non-renewal of the permits. We have not encountered any problems in renewing our GMP certificates in the past.

Compliance issues

During the Track Record Period, one of our subsidiaries, Sun Moral, inadvertently failed to comply with the regulatory requirements in Hong Kong to prepare annual audited accounts for the period starting from its incorporation on 5 October 2007 until 31 December 2009. Sun Moral is an investment holding company and during the Track Record Period had no other business activities in Hong Kong. Given that Sun Moral's sole director resides outside Hong Kong, Sun Moral since its incorporation has delegated its secretarial work to a small local company secretarial firm and subsequently to an individual employed under such small local company secretarial firm. Sun Moral had been relying on the small local firm and the individual in ensuring compliance with Hong Kong laws and regulations. Owing to the lack of familiarity with the Hong Kong legal requirements in light of Sun Moral's very limited operations in Hong Kong, Dr. Che, the then and existing sole director of Sun Moral, was under the mistaken belief that Sun Moral was considered a dormant company (and therefore exempted from accounts preparation) and was not aware of, and neither was he informed of, directors' statutory obligations under the Companies Ordinance to present audited accounts at the company's general meeting.

Upon becoming aware of the above requirement in June 2010, Sun Moral immediately engaged PricewaterhouseCoopers to conduct an audit of Sun Moral's financial statements for each financial year since its incorporation up to the financial year ended 31 December 2009 (the "**Relevant Accounts Period**"). Sun Moral has also written to the Companies Registry on 2 July 2010 to inform them of this non-compliance. The Companies Registry replied on 19 July 2010 reminding Sun Moral that failure of a company to comply with the relevant requirements of preparing audited accounts shall subject the company and each of its officers to a fine and for continued default, to a daily default fine. The Companies Registry requested that Sun Moral ensure compliance in the future, failing which prosecution action would be taken. Pursuant to the Companies Ordinance, the maximum penalty which may be imposed on the director of a Hong Kong company for failure to comply with the relevant requirements of preparing audited accounts is imprisonment of 12 months and a fine of HK$300,000. After consultation with our legal advisers, upon the audited financial statements becoming available, on 2 September 2010, Sun Moral made an application to the High Court of Hong Kong to apply for an order that, inter alia, (i) the requirement in section 122(1) of the Companies Ordinance to lay a income and expenditure account for the Relevant Accounts Period before Sun Moral at its annual general meeting be substituted by a requirement to lay such accounts before Sun Moral by way of a resolution in writing signed by the sole shareholder of Sun Moral in lieu of a general meeting; and (ii) the period of months in section 122(1A) of the Companies Ordinance to lay Sun Moral's accounts for the Relevant Accounts Period before Sun Moral at its annual general meeting be extended, to such period up to and including 1 September 2010. A court order in accordance with those sought terms was granted on 8 October 2010. Such court order could thereafter support the rectification of the delay in filing of Sun Moral's accounts at the Companies Registry. As at the Latest Practicable Date, there has not been any prosecution initiated against Dr. Che as the sole director of Sun Moral, nor has he been subject to any fine relating to the above disclosed non-compliance.

Separately, in January 2010, our Group, while considering certain fund-raising plans, undertook an internal reorganisation whereby shares in Sun Moral, then held by our Company, were transferred to China Pharma (the "**January Transaction**"). Due to the lack of familiarity with the requirements under the Stamp Duty Ordinance Sun Moral was under the impression that it was a dormant company as it was not engaged in any business activities in Hong Kong, and so it was thought to be appropriate for stamp duty on its share transfer to be adjudicated on a nominal consideration basis. Due to our failure to inform the Hong Kong Stamp Office of the fact that Sun Moral was in fact not a dormant company and to present all relevant facts and circumstances to the Hong Kong Stamp Office for the adjudication of the ad valorem stamp duty, stamp duty was paid on the nominal amount of the share transfer instead of the underlying value of the share transfer as required under the Stamp Duty Ordinance.

Upon becoming aware of this issue in June 2010, we immediately instructed our tax advisers PricewaterhouseCoopers to make a submission to the Hong Kong Stamp Office notifying the Hong Kong Stamp Office of the improper stamping in January 2010. Upon the presentation of our case, the unpaid stamp duty for this transfer was adjudicated to be HK$2,019,922 and a penalty of HK$131,600 for the late payment of the stamp duty, was acknowledged by the Hong Kong Stamp Office to be payable. PricewaterhouseCoopers has made an application on behalf of China Pharma and our Company for intra-group stamp duty exemption in relation to the January Transaction and a refund of the amount of stamp duty paid in January 2010 calculated based on the nominal consideration amount of the transfer. As at the Latest Practicable Date, the final adjudication from the Hong Kong Stamp Office is yet to be obtained. As agreed between China Pharma and the Company, China Pharma will

bear all stamp duty payable on the January Transaction, and therefore the payment of stamp duty should the exemption not be granted by the Hong Kong Stamp Office will not result in any financial impact on the Group. The contemplated fund-raising plans did not proceed in the end and Sun Moral was re-transferred from China Pharma to our Company in July 2010 in preparation for the Listing.

In relation to the payment of enterprise income tax in the PRC, all the enterprises are required to pay enterprise income tax and the local tax authorities have the right to approve certain preferential tax rate to be enjoyed by an enterprise according to the relevant tax laws and regulations. According to the Approval regarding Hainan Sihuan's Entitlement to Enterprise Income Tax Preferential Treatment for High and New Technology Enterprise (Pu Di Shui Han [2006] No. 27) (《關於海南四環享受高新技術企業有關企業所得稅稅收優惠政策問題的批覆》) (浦地稅函[2006]27號) (the "**Approval**") issued by the local tax bureau of Hainan Yangpu on 27 September 2006, Hainan Sihuan was confirmed to be a high-tech enterprise in 2005. According to Article 18 of the People's Government of Hainan Province's Opinion regarding the implementation of CPC Central Committee and State Council's Decision to Strengthen Technological Innovation, Develop High-technology and Realise Industrialisation (Qiong Fa [1999] No. 30) (中共海南省委海南省人民政府貫徹《中共中央、國務院關於加強技術創新，發展高科技，實現產業化的決定》的實施意見) (瓊發[1999]30號文) issued by the PRC Hainan Provincial Government (the "**Opinion**"), a productive and developing enterprise which is treated as a high-tech enterprise with an operation period of over 10 years will be exempted from enterprise income tax for the first and second years commencing from its first profit-making year, and entitled to a 50% reduced tax rate for the third to eighth years. As Hainan Sihuan first made profit in 2003, Hainan Sihuan was exempted from enterprise income tax for 2003 and 2004, and entitled to a 50% reduction in enterprise income tax from 2005 to 2010. According to the Approval, the full tax rates on which the reduced tax of Hainan Sihuan was calculated were 18%, 20% and 22% in 2008, 2009 and 2010, respectively, which was a result of interpretation of (2007) No. 39 Notice as defined below and an application of the transitional preferential tax treatment. Hainan Sihuan is now entitled to its last year of tax reduction and the reduced tax rate is 11%, half of 22% for the year 2010. According to the confirmation letter issued by Hainan tax authority, Hainan Sihuan has been in strict compliance with the corporate income tax rate as ratified by the Hainan tax authority since commencement of its operations, and Hainan Sihuan has been applying and approved for payment of corporate income tax every year by the Hainan tax authority.

According to the PRC EIT Law with effect from 1 January 2008 and the Notice issued by the State Council on the Implementation of Transitional Preferential Treatments for Enterprise Income Tax (Guo Fa (2007) No. 39) (the "**(2007) No. 39 Notice**") (國務院關於實施企業所得稅過渡優惠政策的通知) (國發(2007)年39號), only enterprises which fall within the allowed categories of enterprises as set out in the laws, the administrative regulations or the documents of the same effects prior to the implementation of the PRC EIT Law are entitled to the transitional preferential tax treatment. In addition, more categories of enterprises that could enjoy transitional tax preferential policies were further allowed according to the Notice of the Ministry of Finance and the State Administration of Taxation on Several Issues Relating to the Implementation of the Preferential Treatment on Enterprise Income Tax (Cai Shui (2009) No. 69) (the "**No. 69 (2009) Notice**") (財政部、國家稅務總局關於執行企業所得稅優惠政策若干問題的通知) (財稅(2009)69號文). Other than the circumstances specified in the (2007) No. 39 Notice, all reduced enterprise income tax can be calculated with reference to the full income tax rate of 25%. Hence, the Opinion and the No. 69 (2009) Notice, which cover wider ranges of enterprises than the (2007) No. 39 Notice, form the basis on which Hainan Sihuan enjoys the transitional preferential tax treatment. Our PRC legal advisers are of the opinion that, if Hainan

Sihuan remains entitled to the preferential tax treatment for 2008 to 2010, a reduced rate of 12.5% shall be applied in calculating its enterprise income tax under the transitional preferential treatment. Furthermore, according to the Notice on Further Clarification of Implementation of Transitional Preferential Treatments for Enterprise Income Tax (Guo Shui Han [2010] No. 157) (關於進一步明確企業所得稅過渡期優惠政策執行口徑問題的通知) (國稅函[2010]157號), a high-tech enterprise may apply either the tax rate under the transitional preferential treatment or the 15% enterprise income tax rate. Our PRC legal advisers are of the view that Hainan Sihuan, as a high-tech enterprise, is allowed to select either the reduced rate of 12.5% under the transitional preferential treatment or the 15% tax rate applicable for high-tech enterprise. Hainan Sihuan had paid its enterprise income tax calculated by reference to the rates of 9%, 10% and 11% in 2008, 2009 and 2010, respectively, and our PRC legal advisers are of the view that the preferential treatment that Hainan Sihuan has received since 2008 may not be in full compliance with the PRC law and as such, it is possible that the relevant tax authorities may recover the tax shortfall from Hainan Sihuan. This is due to the fact that the State Administration of Taxation supervises and monitors the local tax bureau in accordance with relevant PRC law and has the right to revoke any administrative actions of the local tax bureau it deems inappropriate, or order the local tax bureau to correct or rectify the same.

The following table illustrates the applicable and actual enterprise income tax rates for Hainan Sihuan during the Track Record Period:

	2007	2008	2009	30 June 2010
Applicable tax rate without preferential tax treatment	33%	25%	25%	25%
Tax rate under preferential tax treatment[(1)]	7.5%	15%	15%	15%
Tax rate under transitional preferential tax treatment[(2)]	N/A	12.5%	12.5%	12.5%
Tax rate under transitional preferential tax treatment[(3)]	7.5%	18%	20%	22%
Actual tax paid at rate[(4)]	7.5%	9%	10%	11%

Notes:

(1) According to Guo Shui Han (2010) No. 157, a 15% enterprise income tax rate may apply to a high-tech enterprise.

(2) Calculated based on No. 69 (2009) Notice and the Opinion.

(3) According to (2007) No. 39 Notice, a transitional preferential tax treatment shall only apply to enterprises which fall within the allowed categories of enterprises.

(4) Calculated based on the Approval and the Opinion.

Our PRC legal advisers advise that in the actual implementation process of the PRC EIT Law, however, there are discrepancies between the national policy and actual practices adopted by various local tax authorities. Although, the practice of the local tax authority may result in a possible supplementary payment by Hainan Sihuan in the future, the transitional period for implementation of the PRC EIT Law will end on 31 December 2010 and the preferential tax rate currently enjoyed by Hainan Sihuan will not apply thereafter. From 2011, Hainan Sihuan will pay corporate income tax according to the PRC EIT Law. While Hainan Sihuan has been paying tax according to the tax rate approved by the Hainan tax authority, when the PRC EIT Law came into effect, the Company had consulted the local tax authority which provided a written confirmation of the transitional period tax

rate, to which Hainan Sihuan has complied with. Therefore the Company does not intend to settle the underpayment voluntarily. A tax provision has been made for enterprise income tax based on the relevant tax laws at state level to cater for any historical underpayment which Hainan Sihuan might be requested to make up for in the future, at the rates of 15% for 2008, 2009 and the six months ended 30 June 2010. The total tax provision we made as at 30 June 2010 for such underpayment amounted to RMB23.8 million.

In the future, we will have our internal legal department to prevent, mitigate or resolve any non-compliance issues of our Group by conducting legal knowledge training to raise people's awareness of legal compliance, increasing communication with authorities to reveal potential legal issues and adopting a systematic approach to monitor legal risks that are related to our business and operations. We will also seek outside counsel advice to prevent any recurrence of any similar events. Our Controlling Shareholders have provided an indemnity in favour of us against any expenses and/or losses incurred by us as a result of any historical breach or non-compliance with any regulatory requirements relevant to the business of our Group.

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

We are not aware of incidents concerning any corrupt or inappropriate conduct engaged by our employees, distributors or third-party sales representatives during the Track Record Period. Our employees are prohibited from conducting any corrupt or inappropriate conduct in their labor contracts and employee manuals. We have also established related penalty system for violation of employee manuals. Our employees are required to attend training to study the employee manuals and penalty system and acknowledge their familiarity with them before commencing employment with us. Our distributors and third-party sales representatives are required under their agreements with us, to comply with laws and regulations and restrain from inappropriate conduct and shall compensate us for any damages to our image or reputation as the result of their illegal or inappropriate conduct. Our sales managers are also responsible for emphasising to our distributors and third-party sales representatives our anti-corruption policy and overseeing their activities through routine follow-ups.

Anti-corruption laws in China

The PRC government has issued since the early 1990s various laws and regulations with respect to commercial bribery. In 1993, NPC adopted the Anti-Unfair Competition Law, which became effective on 1 December 1993 and provided that a business operator would commit a crime if it offered money or any other bribes in the course of selling or purchasing products. On 15 November 1996, the SAIC issued the Interim Rules on Prohibition of Commercial Bribery ("**Order 60**"), which provided that the act of commercial bribery includes offering money, goods, free tours, and unrecorded rebate sales commission in secret to any person when selling or buying products. In accordance with the Anti-Unfair Competition Law and Order 60, SAIC (or its local counterparts), being the principal government authority that supervises matters relating to unfair competition and commercial bribery in China, has the power to impose fines in an amount ranging from RMB10,000 to RMB200,000 and to confiscate the illegal gains of a business operator when convicted of commercial bribery. In addition, if any entity or individual offers any property to any government officials for the purpose of seeking illegitimate gain or interests, such act would be considered a crime under the PRC Criminal Law and become punishable by the relevant PRC governmental authorities.

EMPLOYEES

We had 395, 598 and 841 employees as of 31 December 2007, 2008 and 2009, respectively. The following table sets forth the number of our employees for each of our areas of operations and as a percentage of our total workforce as of 31 December 2009:

	Number of Employees	Percentage of Total
Manufacturing and Quality Control	181	21.5%
Sales and Marketing	266	31.6%
Research and Development	189	22.5%
General Administration	131	15.6%
Management	74	8.8%
Total	**841**	**100%**

As required by applicable PRC laws and regulations, we participate in various employee benefit plans, such as pension contribution plans, medical insurance plans, work-related injury insurance plans, unemployment insurance plans and housing funds for our employees. We are required under the PRC laws to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. Members of the retirement plan are entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. During the Track Record Period, due to the relatively high mobility of our employees, certain of our PRC subsidiaries have underpaid their contributions to the employee housing provident funds. According to the relevant PRC laws, such PRC subsidiaries may be required to make up the underpaid portion of the housing provident funds before a deadline set by relevant authorities. The aggregate amount of the underpaid housing provident funds will not exceed RMB1.1 million, for which a provision has been made accordingly. As advised by our PRC legal advisers, we will not be subject to fine for the underpayment of the housing provident funds. As advised by our PRC legal advisers, as of Latest Practicable Date, we have substantially complied with all statutory social insurance and other related obligations applicable to us under PRC laws and have made full payment of the employee social insurance premium. See the section headed "Risk Factors — Certain of our PRC Subsidiaries have underpaid their contributions to employee housing provident funds" in this prospectus. Our employees are not covered by any collective bargaining agreement. We believe that we maintain good working relationships with our employees. As of the Latest Practicable Date, we have not experienced any strikes or any labor disputes with our employees that have had a material adverse effect on our business.

INSURANCE

We currently maintain the following insurance policies:

(i) personal accident insurances for certain of our employees;

(ii) social welfare insurances in accordance with the relevant laws and regulations in the PRC;

(iii) insurance policies pertaining to transportation of products during distribution; and

(iv) insurance policies that cover our major fixed assets against damage caused by accidents and natural disasters such as fire.

We do not maintain any product liability insurance arising from the manufacture and sale of our pharmaceutical products in the PRC, as we have previously made enquiries with a number of leading national insurance companies for product liability insurance and have not been able to identify any such insurance coverage owing to the lack of such insurance product offering in the PRC. However, we will follow up with the insurance providers to seek a similar type of insurance available to insure against liabilities arising from the manufacture and sale of pharmaceutical products by us. To minimise our product liability risk, we have instituted stringent quality assurance measures in order to avoid or reduce the incidence of production defects. See the section headed "Business — Quality Control" in this prospectus.

We strive to monitor and minimise the adverse drug reactions related to our products mainly through strict quality control during production, follow-up with our distributors and regular visits by our product managers to hospitals to monitor the clinical usage of our products. We also regularly monitor the Adverse Drug Reactions Information Circular issued by the National Center for ADR Monitoring and other periodicals and databases. There have been no product liability claims against us during the Track Record Period.

Our Directors believe that our existing insurance policies are sufficient to cover the risks that we may be exposed to with regard to the loss or damage to our equipment and inventory, goods-in-transit and claims from our employees, and are comparable to other pharmaceutical manufacturers in the PRC whose business operations and size are similar to us. During the Track Record Period, we did not submit any material insurance claims.

The Controlling Shareholders of our Company are Plenty Gold, Dr. Che, Dr. Guo, Mr. Meng, Dr. Zhang and Mr. Huang. Immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account Shares that may be issued pursuant to the exercise of the Over-Allotment Option), Plenty Gold (which is is owned as to 51% by Dr. Che, 25% by Dr. Guo, 11% by Mr. Meng, 10.14% by Dr. Zhang and 2.86% by Mr. Huang) will be interested in approximately 65.1% of the issued share capital of our Company; each of Dr. Che and Dr. Guo will directly hold approximately 1.2% and 0.5% in their personal capacity; and Trustee Co, which is wholly-owned by Plenty Gold, will be interested in approximately 0.7% of the issued share capital of our Company.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

The Directors consider that our Group is capable of carrying on its business independent of the Controlling Shareholders and their associates based on the following reasons:

Management independence and operational independence

Although the Controlling Shareholders will retain a controlling interest in our Company after the Listing, our Company has full rights to make all decisions and to carry out its own business operations independently. Our Company (through its subsidiaries) holds all relevant licences necessary to carry on the business, and has sufficient capital, equipment and employees to operate the businesses independently from the Controlling Shareholders.

Our Company's management and operational decisions are made by our Board and the senior management. Our Board will comprise three executive Directors, three non-executive Directors and three independent non-executive Directors upon Listing. None of our non-executive Directors (except Dr. Zhang) or independent non-executive Directors are Controlling Shareholders. Given such composition, our Group believes that the independent non-executive Directors will be able to exercise their independent judgement and will be able to provide impartial opinions in the decision-making process of the Board to protect the interests of the Shareholders. Our Group also believes that the senior management members, who have served our Company and/or its subsidiaries for a long time and have substantial experience in the industry in which our Company is engaged will be able to make business decisions that are in the best interest of our Group.

Save for the continuing connected transactions disclosed in the section headed "Connected Transactions" in this prospectus, the Directors do not expect that there will be any other transactions between our Group and the Controlling Shareholders upon or shortly after the Listing.

Administrative independence

Our Group has its own capabilities and personnel to perform all essential administrative functions including financial and accounting management, inventory management and research and development. Except for Ms. Gu Jin, one of our senior management members who is the wife of Dr. Che, the joint company secretaries and senior management staff are independent of the Controlling Shareholders.

Financial independence

Our Group has its own financial management system and the ability to operate independently from the Controlling Shareholders from a financial perspective. The Directors believe that our Group is capable of obtaining financing from external sources without reliance on the Controlling Shareholders.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders and Directors has confirmed that it/he is neither engaged, nor interested, in any business which, directly or indirectly, competes or may compete with our Group's business.

Each of the Controlling Shareholders (collectively, the "Covenantors" and each a "Covenantor") entered into a deed of non-competition undertaking with the Company on 9 October 2010 pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken with the Company that at any time during the Relevant Period (as defined below), each of the Covenantors shall, and shall procure that its associates (other than members of our Group):

(i) not, directly or indirectly, engage in, invest in, participate in, or attempt to participate in or render any services to or provide any financial support to or otherwise be involved in, whether on its own account or with each other or in conjunction with or on behalf of any person or company, any business which is the same as, similar to or in competition with the business of the Group (the "**Restricted Business**"); and

(ii) not take any action which interferes with or disrupts or may interfere with or disrupt the business of the Group.

The above restrictions do not prohibit any of the Covenantors and its associates (excluding members of our Group) from holding not more than 5% of the securities of any company which conducts or is engaged in any Restricted Business, provided that

(i) the aggregate number of securities held by the Covenantors and their respective associates (excluding members of our Group) do not exceed 30% of the issued shares of such company

(ii) the total number of the relevant Covenantors representatives on the board of directors of the subject company is not significantly disproportionate in relation to the shareholding; and

(iii) any of the Covenantors and their respective associates (excluding members of our Group) not being the controlling shareholder of such company;

Under the deed of non-competition undertaking, the Covenantors further undertake to the Company the following:

(i) the Covenantors shall allow, and shall procure that their associates (excluding members of our Group) to allow, during the Relevant Period, the independent non-executive Directors to review, whereas necessary, at least on an annual basis, the Covenantors' compliance with the deed of non-competition undertaking;

(ii) The Covenantors shall provide, and shall procure that their associates (other than members of our Group) to provide, during the Relevant Period, all information necessary for the annual review by the independent non-executive Directors without prejudicing any relevant laws, rules and regulations or any contractual obligations, in making a fair and reasonable assessment of the Covenantors' and/or their associates' (other than members of our Group) compliance with the deed of non-competition undertaking and the enforcement of the deed of non-competition undertaking by the independent non-executive Directors;

(iii) without prejudicing the generality of paragraph (i) above, the Covenantors shall provide to the Company with a declaration annually for inclusion by the Company in its annual report, in respect of their compliance with the terms of the deed of non-competition undertaking and disclose such information in the corporate governance report under the annual report of the Company (any such disclosure would be consistent with the principles of making voluntary disclosures in the corporate governance report);

(iv) the Covenantors shall agree and authorise the Company to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the deed of non-competition undertaking either through the annual report, or by way of announcements to the public;

(v) during the Relevant Period, in the event the Covenantors or their associates (excluding members of our Group) were given any business opportunity that is or may involve in direct or indirect competition with the business of the Group, in connection with the Restricted Business in the PRC, the Covenantors shall inform the Group and shall assist the Group in obtaining such business opportunity on the same or more favourable terms being acceptable to the Group;

(vi) In the event that the Board (including all independent non-executive Directors but excluding any Directors with conflicted interests) gives up such business opportunity within a commercially reasonable period, the Covenantors and their associates (excluding members of our Group) may take up such business opportunity and the involvement in the business derived from such business opportunity shall not be regarded as a breach of the deed of non-competition undertaking; and

(vii) each of the Covenantors agrees to indemnify the Company from and against any and all losses, damages and costs (including legal costs) which loss, damage or cost is resulted from any failure to comply with the terms of the deed of non-competition undertaking by the Covenantors or any of their respective associates.

For the above purpose, the "Relevant Period" means the period commencing from the date of the deed of non-competition undertaking and shall expire on the earlier of (i) the date on which any of the Covenantors (together with other Covenantors), become collectively entitled to exercise, or control the exercise of, less than 30 per cent (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a controlling shareholder) of voting power at general meetings of the Company; and (ii) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares), provided that the deed shall cease to be binding on a Covenantor when he/it (or its/his associates) ceases to hold any equity interest in the Group and ceases to have any role in the Group.

The independent non-executive Directors will review, at least on an annual basis, the compliance with the deed of non-competition undertaking by the Covenantors.

Following the Listing, the transactions listed below will constitute connected transactions of our Company under the Listing Rules:

Exempt continuing connected transactions

Details of the continuing connected transactions of the Company which are exempt from the reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules ("**exempt continuing connected transactions**") are set out below:

Service contract with KBP Japan

On 1 January 2009, KBP BioSciences entered into a service contract (the "**Service Contract**") with KBP株式會社 ("**KBP Japan**"), with effect from 1 January 2009 to 31 December 2010, on normal commercial terms pursuant to which KBP Japan would provide services to KBP BioSciences, including collecting market data relating to R&D and conducting clinical testing on KBP BioSciences' products in Japan at a service fee of JPY1.3 million per month, which was determined based on the nature and costs of the services provided by KBP Japan. The service fee excludes costs for onward appointment work such as clinical testing fees which will be borne by KBP BioSciences itself or paid by KBP Japan on behalf of KBP BioSciences. KBP Japan is owned as to 60% by Dr. Che and 40% by Mr. Huang.

The Service Contract is an exempt continuing connected transaction as it is expected to fall within the de-minimus thresholds in Rule 14A.33(3). The total amounts attributable to the Service Contract for the year ended 31 December 2009 and the six months ended 30 June 2010 were RMB1,180,741.24 and RMB583,134.03 respectively. In the event that the transactions contemplated under the Service Contract ceases to satisfy the requirements of Rule14A.33(3) for any year, our Company will comply with the requirements relating to continuing connected transactions under Chapter 14 of the Listing Rules, as applicable.

The Directors, including the independent non-executive Directors, are of the view that the Service Contract is in the ordinary and usual course of the Group's business, on normal commercial terms, fair and reasonable and in the interest of the Shareholders as a whole.

Patent licensing agreements with Dr. Guo and Dr. Che

On 24 June 2010, Dr. Guo and Shenzhen Sihuan entered into a patent licensing agreement ("**First Patent Licensing Agreement**"), pursuant to which Dr. Guo has granted Shenzhen Sihuan a license, free of royalty with the right to use the patent of Lyophilized Cerebroprotein Hydrolysate for Injection and its Preparation Method (注射用腦蛋白水解物凍幹劑及其製備方法) ("**First PRC Patent**") until the expiry date of the registration of the First PRC Patent on 12 October 2026.

On 28 July 2010, Dr. Che and Beijing Sihuan entered into a patent licensing agreement ("**Second Patent Licensing Agreement**"), pursuant to which Dr. Che has granted Beijing Sihuan a license, free of royalty with the right to use the patent of Cinepazide Medicinal Salt and its Preparation Method (桂哌齊特的藥用鹽及其製備方法) ("**Second PRC Patent**") until the expiry date of the registration of the Second PRC Patent on 7 August 2026.

On 20 August 2010, Dr. Guo entered into a patent transfer agreement with Shenzhen Sihuan to transfer the First PRC Patent to Shenzhen Sihuan at nil consideration and the necessary registration procedures to complete the transfer has commenced in the PRC. Furthermore, on 20 August 2010, Dr. Che entered into a patent transfer agreement with Beijing Sihuan to transfer the Second PRC Patent to Beijing Sihuan at nil consideration and the necessary registration procedures to complete the transfer has commenced in the PRC.

Prior to completion of the transfer of each of the First PRC Patent and the Second PRC Patent to our Group and pursuant to the Listing Rules, the licensing arrangements prusuant to the First Patent Licensing Agreement and the Second Patent Licensing Agreement constitute connected transactions of our Company as Dr. Guo and Dr. Che being the Directors and members of the controlling shareholder group of the Company, are connected persons of the Company. As the right to use the First PRC Patent and the Second PRC Patent is granted to us on a royalty-free basis by Dr. Guo and Dr. Che, respectively, the transactions under the First Patent Licensing Agreement and Second Patent Licensing Agreement are exempt continuing connected transactions as they are expected to fall within the de-minimis thresholds in Rule 14A.33(3).

Our Directors are of the view that the First Patent Licensing Agreement and Second Patent Licensing Agreement were entered into in the ordinary course of our business and on terms favourable to our Group, which are in the interests of our Shareholders as a whole. In the event that the transactions contemplated under the First Patent Licensing Agreement and Second Patent Licensing Agreement cease to satisfy the requirements of Rule 14A.33(3), our Company will comply with the requirements relating to continuing connected transactions under Chapter 14 of the Listing Rules, as applicable.

Non-fully exempted continuing connected transactions

Funding arrangement with KBP BioSciences

Hainan Sihuan historically had an informal arrangement (the "**Funding Arrangement**") with its 60% subsidiary, KBP BioSciences, whereby Hainan Sihuan, as shareholder, had been providing all the funding to KBP BioSciences to finance its working capital and daily operations after KBP BioSciences became a subsidiary of Hainan Sihuan in January 2008. The reason for the funding was that KBP BioSciences only started operations in January 2008 and it has yet to generate any income. No funding had been provided by the remaining shareholders of KBP BioSciences.

KBP BioSciences became a subsidiary of Hainan Sihuan in January 2008 when the latter acquired a 75% interest in KBP BioSciences. In April 2008, Hainan Sihuan sold a 15% interest to another shareholder and hence it currently maintains a 60% shareholding in KBP BioSciences. Mr. Huang Zhenhua ("**Mr. Huang**") is a director and Chief Executive Officer of KBP BioSciences and also holds a 17% interest in the company. Pursuant to the Listing Rules, Mr. Huang, being a member of the controlling shareholder group of the Company, is a connected person of the Company. Mr. Huang's wife, Ms. Cai Jun, holds a 23% interest in KBP BioSciences.

Hence, in light of the 40% equity interest held by Mr. Huang and his wife in KBP BioSciences, KBP BioSciences constitute a connected person of the Company under Rule 14A.11(4) by way of it being an associate of a connected person of the Company as well as Rule14A.11(5) by way of being a non-wholly-owned subsidiary where a connected person of the Company is entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of such non-wholly-owned subsidiary.

The Funding Arrangement does not stipulate any specific terms (such as interest rate and maturity date) of repayment of the loans by KBP BioSciences. For the years ended 31 December 2008 and 2009, the loans made to KBP BioSciences were RMB15,334,857.2 and RMB35,040,000, respectively. For the eight months ended 31 August 2010, the loans made to KBP BioSciences amounted to RMB44,462,686.3. It is expected that the Funding Arrangement will continue to be fully funded by Hainan Sihuan for a short period after Listing up to 2010 year-end and, starting from 2011, it is proposed that the Funding Arrangement will be provided on a pro-rata basis by all the shareholders of KBP BioSciences and not only by Hainan Sihuan. As the Funding Arrangement in 2010 has not been and will not be, after Listing, borne on a pro rata basis by all the shareholders of KBP BioSciences according to the proportion of their equity interests, the Funding Arrangement is a non-exempted connected transaction according to Chapter 14 of the Listing Rules. During and since the end of the Track Record Period as well as going forward after Listing, funding was and will be made on a monthly basis which is based on monthly and annual estimates of the working capital requirements of KBP BioSciences.

Under an agreement dated 9 October 2010 between Hainan Sihuan and KBP BioSciences (the "**Funding Agreement**"), it was agreed between the parties that the Funding Arrangement would continue until 31 December 2012. The amount for the Funding Arrangement for the period from the date of Listing up to 31 December 2010 is not expected to exceed RMB24,562,456.5 and has been determined based on an estimate of the capital requirement of KBP BioSciences with reference to the historical figures regarding the Funding Arrangement. Our Directors, including the independent non-executive Directors, and the Joint Sponsors confirm that the proposed cap for the Funding Arrangement is fair and reasonable and in the interests of the shareholders of the Company as a whole.

Given that the Funding Arrangement is on normal commercial terms and each of the applicable percentage ratios (other than the profits ratio) of the amount under the Funding Arrangement for the period from the date of Listing up to 31 December 2010 is less than 5%, the Funding Arrangement will only be subject to reporting and announcement requirements under Rule 14A.66 of the Listing Rules. As no interest/income is or will be charged on the Funding Arrangement, the revenue test is not applicable.

Pursuant to Rule 14A.42(3) of the Listing Rules, regarding the Funding Arrangement that may continue starting 1 January 2011, as such Funding Arrangement will be on normal commercial terms and the amount of Funding Arrangement by Hainan Sihuan to KBP BioSciences will be in proportion to its equity interest in KBP BioSciences, the Funding Arrangement starting from 1 January 2011 will be exempted from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(3) of the Listing Rules.

Our Directors, including the independent non-executive Directors, confirm that the terms of the Funding Arrangement are on normal commercial terms, are determined on an arm's-length basis and

are fair and reasonable and in the interests of the shareholders of the Company as a whole. In particular, our Directors consider that the Funding Arrangement is on normal commercial terms (as defined under Rule 14A.10 the Listing Rules), both (a) historically until the end of 2010 where the Funding Arrangement has been and will be fully-funded by Hainan Sihuan and (b) from 1 January 2011 when Hainan Sihuan will be contributing to the Funding Arrangement in the proportion of its shareholding in KBP BioSciences, for the reason that if KBP BioSciences were to obtain financial assistance in the form of a loan for the purpose of its working capital from parties other than the Group, it is quite unlikely that KBP BioSciences would be able to obtain any loan interest-free as it is currently arranged under the Funding Arrangement, and the shareholders of KBP BioSciences (which includes Hainan Sihuan) may be required to provide a guarantee for such lending. Hence, we believe that the terms of the Funding Arrangement are no less favourable than KBP BioSciences would have been able to obtain from independent third parties and are therefore on normal commercial terms. As KBP Biosciences is a subsidiary of our Company and is not currently generating income, funding assistance from other companies within our Group can potentially assist KBP Biosciences with developing its operations and generating income in the future that can benefit our Group as a whole. For the foregoing reasons, our Directors are of the view that the Funding Arrangements are conducted on normal commercial terms and in the interest of the shareholders of the Company.

The Joint Sponsors are of the view that the Funding Arrangements (which constitute financial assistance falling within Rule 14A.66) that are continuing up to year-end 2010 are conducted on normal commercial terms, are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

We have applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with the announcement requirements under Rule 14A.66 of the Listing Rules in connection with the Funding Arrangement that will continue for the period from the date of Listing up to 31 December 2010.

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of members of our Board upon Listing:

Name	Age	Date of Commencement of directorship	Position(s)
Dr. Che Fengsheng.	47	18 May 2006	Chairman and our CEO
Dr. Guo Weicheng	46	18 May 2006	Executive Director and Deputy chairman
Mr. Meng Xianhui	46	18 May 2006	Executive Director and Deputy general manager
Dr. Zhang Jionglong	48	18 May 2006	Non-executive Director
Mr. Homer Sun	39	13 December 2009	Non-executive Director
Mr. Eddy Huang	35	5 August 2010	Non-executive Director
Mr. Patrick Sun	51	7 October 2010	Independent non-executive Director
Mr. Bai Huiliang	67	7 October 2010	Independent non-executive Director
Mr. Xu Kangsen.	68	7 October 2010	Independent non-executive Director

Executive Directors

Dr. Che Fengsheng (車馮升), aged 47, is our Chairman and CEO and was appointed to our Board on 18 May 2006. He is one of the co-founders of our Group. Dr. Che is responsible for the overall management, strategic planning and business development of our Group and is instrumental to our growth and business expansion since our establishment in 2001. Prior to our establishment, Dr. Che had more than eight years of experience as a medical doctor/neurologist and 17 years of experience in the sales and marketing of pharmaceutical products and the management of pharmaceutical companies. Dr. Che was the general manager of Hainan Kang Tong Pharmaceutical Co., Ltd (海南康通醫藥有限公司) from 1997 to 2001 where he was in charge of the overall management of its business. From 1995 to 1997, Dr. Che was the assistant general manager and vice manager (marketing) of Shenzhen City New Special Pharmaceutical Products Co., Ltd. (深圳市新藥特藥有限公司) where he was responsible for the marketing and overall management of the company's business. Between 1993 and 1995, Dr. Che was the product promotions manager of Shenzhen City Healthcare Pharmaceutical Company (深圳市健安醫藥公司) and the East China Regional manager where he was in charge of the sales, marketing and promotion of the company's pharmaceutical products. From 1991 to 1993, Dr. Che held the position of chief neurologist and lecturer in First Military Medical University, Zhu Jiang Hospital, Guangzhou City, PRC (廣州市第一軍醫大學珠江醫院). Dr. Che was a neurologist and an assistant lecturer at the Fourth Military Medical University in Xi'an City, PRC (西安市第四軍醫大學) from 1990 to 1991 and at the Fourth Military Medical University, Xi Jing Hospital in Xi'an City, PRC from 1984 to 1987.

Dr. Che is the vice-chairman of several committees and associations including, China Political Science Training Centre (中國政策科學培訓中心), China Medical Economics Magazine Board (中國藥物經濟學雜誌社) and the Hainan Entrepreneurs Association (海南省企業家協會). Dr. Che is also the deputy supervisor of the Hainan Food and Drug Working Committee in the Hainan Entrepreneurs Association (海南省企業家協會食品藥業工作委員會) as well as a specially-appointed research member of the China Enterprise Reform and Development Research Institute (中國企業改革發展研究院). In 2006, he was named one of the Top 10 New and Enterprising Businessmen (首屆海南省工商業十大新銳人物) in the Hainan Province by the Hainan Province

Commerce Association (海南省商業聯合會), Hainan Industry & Economics Association (海南省工業經濟聯合會) and the Evaluation Committee of Top 10 Leading Businessmen and Top 10 New and Enterprising Businessmen in Industry and Commerce in Hainan (海南省工商業十大領軍人物十大新銳人物評委會). Dr. Che was appointed as President of Commerce Chamber of Hainan in 2009. Dr. Che obtained his Bachelor of Medicine (Aviation) (航空醫學) and Master of Medicine (Neurology) from the Fourth Military Medical University, Xi'an City, PRC, in 1984 and 1990 respectively. He also obtained an Executive Master of Business Administration from China Europe International Business School (中歐國際工商學院) in 1999. Apart from being a director of our Board when we were listed on SGX-ST, Dr. Che has not been a director of any other listed company in the three years immediately preceding the date of this prospectus.

Dr. Guo Weicheng (郭維城), aged 46, is our deputy chairman and was appointed to our Board on 18 May 2006. He is a co-founder of our Group. Dr. Guo is responsible for the overall operations of our Group and our research and development activities, with a focus on strategic planning in particular in relation to mergers and acquisitions and product collaborations. He has also become responsible for Shenzhen Sihuan's overall operations after we acquired it in 2007. Dr. Guo is instrumental to our Group's growth and business expansion since our establishment in 2001. Prior to our establishment, Dr. Guo had more than four years of experience as a general surgeon and more than 17 years of experience in the sales and marketing of pharmaceutical products. From 2004 to 2005, concurrent to his appointment to our Group, Dr. Guo was the general manager of Shenzhen San Qi Pharmaceutical Technology Co., Ltd. (深圳三旗醫藥科技有限公司) (now known as Shenzhen Sihuan Pharmaceutical Co., Ltd. (深圳四環醫藥有限公司)) where he was in charge of the sales of the company's pharmaceutical products. From 1998 to 2001, Dr. Guo held the post of assistant general manager in Hainan Kang Tong Pharmaceutical Co., Ltd. (海南康通醫藥有限公司) where he oversaw the sales of the company's pharmaceutical products. From 1995 to 1998, he joined Shenzhen City New Special Pharmaceutical Products Co., Ltd. (深圳市新藥特藥有限公司) as the Company's manager in the Heilongjiang province, in charge of the marketing of the company's pharmaceutical products in the Heilongjiang province. Between 1993 and 1995, Dr. Guo worked for Shenzhen City Healthcare Pharmaceutical Company (深圳市健安醫藥公司) where he was the manager responsible for the marketing of the company's pharmaceutical products in the Heilongjiang province. From 1992 to 1993, Dr. Guo held the position of chief surgeon in Guangzhou Military 177 Hospital. Dr. Guo was a surgeon and assistant lecturer in the Fourth Military Medical University, Tang Du Hospital, Xi'an City, PRC from 1986 to 1989. Dr. Guo obtained his Bachelor of Medicine and Master of Medicine (General Surgery) from the Fourth Military Medical University, PRC in 1986 and 1992, respectively. Apart from being a director of our Board when we were listed on SGX-ST, Dr. Guo has not been a director of any other listed company in the three years immediately preceding the date of this prospectus.

Mr. Meng Xianhui (孟憲慧), aged 46, is our executive Director and deputy general manager and was appointed to our Board on 18 May 2006. He joined our Group in 2002 and is responsible for public and governmental relationships as well as operations of the sales and marketing network of our Group in certain regions. Prior to joining our Group, Mr. Meng had more than seven years of experience in the pharmaceutical industry in the areas of marketing, sales and distribution of pharmaceutical products. From 1997 to 2001, Mr. Meng worked for Shenzhen City Wan Ze Pharmaceutical Co., Ltd.

(深圳市萬澤醫藥有限公司) as a province manager overseeing the regional sales of the company's pharmaceutical products. Between 1987 and 1997, Mr. Meng was the departmental head of Jilin Materials Bureau (吉林省物資局) where he was responsible for planning the allocation of production materials. Mr. Meng was conferred the title of Economist by the Jilin Provincial Government in 1993. Mr. Meng obtained a Graduate Certificate in Management Engineering from Huazhong Engineering College (華中工學院) (now known as Huazhong University of Science and Technology (華中理工大學)), PRC in 1987. He undertook a one-year Postgraduate Business Administration course in Peking University, PRC from 2004 to 2005. Apart from being a director of our Board when we were listed on SGX-ST, Mr. Meng has not been a director of any other listed company in the three years immediately preceding the date of this prospectus.

Non-executive Directors

Dr. Zhang Jionglong (張炯龍), aged 48, is our non-executive Director and was appointed to our Board on 18 May 2006. He joined our Group in 2005 and has more than nine years of experience as a medical doctor. Between 1992 and 2005, Dr. Zhang held the position of general manager in Shenzhen Tai'an Pharmaceutical Development Co., Ltd. (深圳市太安醫業發展有限公司), a company which specialised in the distribution and sale of medical supplies, hospital and healthcare equipment. As the general manager, Dr. Zhang was responsible for the management, operations and strategic planning of the company's business. From 1983 to 1992, Dr. Zhang worked as a medical doctor in Shenzhen City People's Hospital, one of the largest hospitals in Shenzhen City, PRC. Dr. Zhang obtained a Graduate Certificate in Medical Treatment from Shantou Medical College, PRC (汕頭醫學專科學院) (now known as Shantou University Medical College (汕頭大學醫學院)) in 1983. In 1992, Dr. Zhang was conferred the professional title of Chief Physician by the Shenzhen City Title Conferment Reform Leadership Group (深圳市職稱改革領導小組). Apart from being a director of our Board when we were listed on SGX-ST, Dr. Zhang has not been a director of any other listed company in the three years immediately preceding the date of this prospectus.

Mr. Homer Sun (孫弘), aged 39, is our non-executive Director and was appointed to our Board on 13 December 2009. He is currently a managing director of Morgan Stanley Asia Limited and leads Morgan Stanley Private Equity Asia's China investments. He is currently a non-executive director of China Shanshui Cement Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 691) as well as China Flooring Holding Company Limited. Mr. Sun has been with Morgan Stanley Asia Limited since April 2000 and worked on a wide range of mergers and acquisitions in Greater China in the Investment Banking Division of Morgan Stanley Asia Limited prior to joining Morgan Stanley Private Equity Asia. From September 1996 to March 2000, he was a corporate attorney specialising in mergers and acquisitions with Simpson Thacher & Bartlett in New York and Hong Kong. Mr. Sun received a Bachelor of Science in Chemical Engineering, *magna cum laude*, from the University of Michigan in 1993 and a J.D., *cum laude*, from the University of Michigan Law School in 1996. Save as disclosed above, Mr. Sun has not been a director of any other listed company in the three years immediately preceding the date of this prospectus.

Mr. Eddy Huang, aged 35, is our non-executive Director and was appointed to our Board on 5 August 2010. He is currently an executive director of Morgan Stanley Asia Limited and a senior member of Morgan Stanley Private Equity Asia focusing on China investments. Mr. Eddy Huang has been with Morgan Stanley Asia Limited since 2003 and advised on a broad range of technology, media and communications transactions across Greater China for Morgan Stanley Asia Limited's Investment

Banking Division prior to joining Morgan Stanley Private Equity Asia. Prior to joining Morgan Stanley Asia Limited, Mr. Huang was previously with Morgan Stanley's Investment Banking Division in New York and Merrill Lynch in their Financial Institutions Investment Banking Group in New York. Mr. Huang is a director of CIMIC Industrial Group Ltd. and its subsidiary, Shanghai CIMIC Tiles Co., Ltd., which is a Shenzhen-listed company (Stock Code: 002162), and China Flooring Holding Company Limited. Mr. Huang received a Bachelor of Arts in Economics and East Asian Studies from Yale University in 1997 and an Master of Business Administration from Harvard Business School in 2002. Save as disclosed above, Mr. Huang has not been a director of any other listed company in the three years immediately preceding the date of this prospectus.

Independent Directors

Mr. Patrick Sun (辛定華), aged 51, is an independent non-executive Director of our Company and was appointed to our Board on 7 October 2010. Mr. Sun has been an independent non-executive director and non-executive chairman of Solomon Systech International Limited (Stock Code: 2878) from February 2004, an independent non-executive director of China Railway Group Limited (Stock Code: 390) from August 2007 and an independent non-executive director of Trinity Limited (Stock Code: 891) from October 2008 (all of which are listed on the Stock Exchange). He is currently a vice chairman of the Chamber of Hong Kong Listed Companies and was formerly its Honorary Chief Executive Officer from December 2002 to September 2004. He was a member of the Takeovers & Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Exchange from 1995 to 1997 and from 1999 to 2001, Deputy Convenor/Chairman of the Listing Committee from 1996 to 2002 and a member of the Council of the Stock Exchange from 1995 to 2000. He was previously the Senior Country Officer and Head of Investment Banking for Hong Kong of JPMorgan Chase from 2000 to 2002. He also previously served as an executive director and chief executive officer of Value Convergence Holdings Limited (Stock Code: 821) from August 2006 to October 2009, executive director of SW Kingsway Capital Holdings Limited (Stock Code: 188) from September 2004 and May 2006 (both of which are listed on the Stock Exchange), group executive director and co-head of Investment Banking of Jardine Fleming Holdings Limited from 1996 to 2000, independent non-executive director of Link Management Limited between September 2004 and July 2007, and independent non-executive director of Everbright Pramerica Fund Management Co., Ltd.. Mr. Sun graduated from the Wharton School of the University of Pennsylvania, United States with a Bachelor of Science in Economics in 1981. Mr. Sun is a fellow of the Chartered Association of Certified Accountants, United Kingdom, and a fellow of the Hong Kong Institute of Certified Public Accountants. Save as disclosed above, Mr. Sun has not been a director of any other listed company in the three years immediately preceding the date of this prospectus.

Mr. Bai Huiliang (白慧良), aged 67, is our independent non-executive Director and was appointed to our Board on 7 October 2010. He has more than 30 years of experience in the industry of managing pharmaceutical products and drugs supervision and Mr. Bai is familiar with the development of the pharmaceutical industry and was involved in drafting and formulating the rules of drugs regulatory laws and regulations. Mr. Bai is currently the president of China OTC Association (中國非處方藥物協會會長) and the vice president of the enterprise management branch under the Chinese Medical Association (中國醫藥企業管理協會副會長).

Mr. Bai obtained a Graduate Certificate in Organic Synthesis from Beijing University of Technology in 1968. Between 1967 and 1997, Mr. Bai held the positions of technician and secretary

in Factory No. 12 of Shenyang Northeast Pharmaceutical Main Factory Workshop (瀋陽東北製藥總廠十二車間), personnel director in State Pharmaceutical Administration and Production Association (國家醫藥管理總局生產調度局任人事司), deputy director in the Technical Department (技術幹部處副處), board officer, deputy director of personnel and deputy director and director of Politics and Law departments of the State Pharmaceutical Administration (國家醫藥管理局任人事司副司長，政法司副司長) and chief engineer in China Xinxing Medical and Pharmaceutical Technology Development Corporation (中國新興醫藥科技發展總公司). Before Mr. Bai's retirement in March 2005, he served as the director of drug safety supervision division of State Food and Drug Administration (國家食品藥品監督管理局任藥品安全監管司司長) where he was primarily responsible for national pharmaceutical research and production and supervision of special drugs. Since January 2010 and April 2010, Mr. Bai has acted as independent director of Shanghai Pharma Group (上藥集團公司) and Gansu Duyiwei Biological Pharmaceutical Co., Ltd. (甘肅獨一味生物製藥股份有限公司) (listed on the Shenzhen Stock Exchange; Stock code: 002219), respectively. Save as disclosed above, Mr. Bai has not been a director of any other listed company in the three years immediately preceding the date of this prospectus.

Mr. Xu Kangsen (徐康森), aged 68, is our independent non-executive Director and was appointed to our Board on 7 October 2010. He has more than 40 years of experience in the industry of analysing and researching the pharmaceutical and biological products and biochemical drugs.

Mr. Xu obtained a Graduate Certificate in Biological Chemistry from Fudan University in 1965. Between 1965 and 2005, Mr. Xu worked as an assistant researcher and also a researcher specialising in biological and pharmaceutical products and the director of genetics engineering of pharmaceutical products branch at Ministry of Health, Pharmaceutical and Biological Products (衛生部藥品生物製品檢定所). From 2005 to 2007, Mr. Xu worked as a researcher and deputy director of the research centre of State of Standardising Pharmaceutical and Biological Products (中國藥品生物製品標準化研究中心). Before Mr. Xu's retirement in January 2008, he served as deputy director and researcher at State of Standardising Pharmaceutical and Biological Products (中國藥品生物製品標準化研究中心). Mr. Xu has not been a director of any listed company in the three years immediately preceding the date of this prospectus.

Save as disclosed in the Directors' biographical details above, each of our Directors confirms with respect to himself that (i) he has not held any directorships, current or past, since the beginning of the Track Record Period up to 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 is not related to any other Director, senior management or substantial or Controlling Shareholders of our Company; (iii) there is no information to be disclosed for him pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; (iv) there are no other matters that need to be brought to the attention of holders of securities of our Company; and (v) all the requirements under Rule 13.51(2) of the Listing Rules have been fulfilled.

SENIOR MANAGEMENT

Name	Age	Position
Ms. Gu Jin	41	Deputy General Manager (Administration and Human Resources)
Mr. Huang Zhenhua	43	General Manager (KBP BioSciences)
Ms. Jia Zhongxin	51	Chief Operating Officer
Mr. Choi Yiau Chong	35	Chief Financial Officer
Ms. Yuan Tingjun	45	General Manager (Production and Quality Control)
Dr. Huo Caixia	40	Assistant General Manager (Research and Development) and Head (Beijing Ao He Research)
Mr. Lin Guotan	41	Deputy General Manager (Hainan Sihuan)
Dr. Gao Jianhua	53	Chairman (Langfang Sihuan)
Dr. Song Yuntao	46	Chief Scientific Officer and Chief Operating Officer (KBP BioSciences)

Ms. Gu Jin (顧津), aged 41, the wife of Dr. Che, is our deputy general manager (administration and human resources). She joined our Group in 2001 and as head of the administration and human resources departments of our Group, overseeing various matters including recruitment of staff, their remuneration, as well as training. Ms. Gu helps to ensure that our employees are well-trained and motivated to excel in their work. From 1993 to 1996, she was secretary to the chief executive officer of Shenzhen Tong Yun Group before joining the securities department of the company. She completed a course in Finance（金融專業專科畢業） from Lan Zhou Commerce College in the PRC in 1993 and completed an Executive Master in Business Administration advanced level course in the National Medicine and Medical Devices Industry from Peking University in 2006.

Mr. Huang Zhenhua (黃振華), aged 43, is responsible for overseeing the research and development functions of our Group, in particular, the research and development efforts at KBP BioSciences. He joined our Group in 2008 and he has more than 20 years' experience in the pharmaceutical industry, and leads a team of more than 100 scientists and researchers, most of whom have gained invaluable experience working overseas, especially in the United States and Japan. Mr. Huang received a Bachelor of Pharmacy in 1990 from Shenyang Pharmaceutical University and a Master of Pharmacy from Shenyang Pharmaceutical University in 2004.

Ms. Jia Zhongxin (賈中新), aged 51, is our chief operating officer and is responsible for the daily operations of our Group. Ms Jia joined our Group in 2007 and is a practising pharmacist and senior engineer. Ms. Jia obtained a Bachelor in Pharmacy in 1982 from the Medical Department of Peking University (formerly known as Beijing Medicine College, Beijing Medical University) and a Master in Business Administration from the University of South Australia in 2004. She has held various managerial positions in many companies. Between January 2006 and November 2007, Ms. Jia headed the biomedical department of China Baoan Group Co., Ltd. and was also chairman of Shenzhen Daphne Pharmaceutical Co., Ltd. Prior to that, she was the chief executive officer of Wuhan Ma Ying Long Pharmaceutical Co., Ltd. and chairman of Wuhan Ma Ying Long Chained Pharmacies Co., Ltd. from November 2002 to December 2005.

Mr. Choi Yiau Chong, aged 35, is our chief financial officer. Mr. Choi joined our Group in 2006 and is responsible for overseeing and managing the accounting and finance functions of our Group. Prior to joining our Group, Mr. Choi gained his finance and accounting experience at Titan

Petrolchemicals (M) Sdn. Bhd., a subsidiary of Titan Chemicals Corp. Bhd., a company listed on the main board of Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange) and at Deloitte and Touche. Mr. Choi obtained a Bachelor of Commerce (Accounting) from Nelson Polytechnic (now known as Nelson Marlborough Institute of Technology), New Zealand in 1997. He is a member of the Chartered Institute of Management Accountants (UK) and also a member of the Institute of Certified Public Accountants of Singapore.

Ms. Yuan Tingjun (袁廷均), aged 45, is our general manager (production and quality control). Ms. Yuan joined our Group in 2003 and is responsible for overseeing the production and quality control functions of our Group. Before joining our Group, she held various managerial and marketing posts in several pharmaceutical companies. She also had seven years of experience as a researcher during which she carried out research on Chinese medicines. Ms. Yuan holds a Bachelor of Science (Chemistry) from Sichuan University in 1986 and a Master of Science from Sichuan University in 1989.

Dr. Huo Caixia (霍彩霞), aged 40, is our assistant general manager (research and development) and head of Beijing Ao He Research. Dr. Huo joined our Group in 2004 and is responsible for the registrations of pharmaceutical products and assists in overseeing the research and development functions of our Group. Between 2002 and 2004, she was an assistant researcher at the Chemistry Research Institution of the Chinese Academy of Sciences. Dr. Huo received a Bachelor of Science (Pharmacy) from Inner Mongolia Medical College in 1993, a Master of Science (Pharmaceutical Chemistry) from Inner Mongolia Medical College in 1998 and a Doctor of Science (Pharmaceutical Chemistry) from Peking University in 2002.

Mr. Lin Guotan (林國潭), aged 41, is our deputy general manager (Hainan Sihuan). Mr. Lin joined our Group in 2005 and is in charge of Hainan Sihuan, our key marketing subsidiary. He started his career in the pharmaceutical industry in 1993 and joined our Group in 2005 as a marketing director. He was promoted to deputy general manager of Hainan Sihuan in 2007. He holds a Bachelor of English from Luoyang Institute of Technology in 1993 and a Master of Business Administration from Tongji University in 2002.

Dr. Gao Jianhua (高建華), aged 53, is our chairman at Langfang Sihuan and joined our Group in 2009. Dr. Gao has extensive experience in drug research, particularly pharmaceutical API and intermediates in chemical process. Dr. Gao obtained a Bachelor of Science (Pharmacy) from Shanghai First Medical College (now known as Fudan University) in 1982 and a Master of Medicine from the Academy of Military Medical Sciences in 1985. Dr. Gao obtained his PhD in Pharmacy from the Chinese Military Academy of Medical Sciences in the PRC (中國軍事醫學科學院) in 1988 and the University of North Carolina in the United States in 1994. From 1988 to 1990, Dr. Gao served as researcher in pharmacy in (中國軍事醫學科學院六所) (Chinese Military Academy of Medical Sciences). From 1990 to 1998, Dr. Gao was the deputy director and then was promoted to researcher at Beijing Sihuan (formerly known as Chinese Military Academy of Medical Sciences Sihuan Pharmaceutical Factory (軍科院六所四環製藥廠)). In the same year, Dr. Gao founded and acted as the Chairman of 北京高博醫藥化學技術開發有限公司 (Beijing Gao Bo Pharmaceutical Chemical Technical Development Co., Ltd.).

Dr. Song Yuntao (宋運濤), aged 46, is our chief scientific officer and chief operating officer (KBP BioSciences). Dr. Song joined our Group in 2009. Dr. Song obtained a Bachelor of Science

degree in Chemistry from Shandong University in 1986 and obtained his PhD in Chemistry from the University of Wisconsin at Madison in the United States in 1992 and gained valuable research and development experience at top research institutes, including 15 years experience with Park-Davis (Warner-Lambert)/Pfizer Inc. Before joining our Group, he was president and chief executive officer of Beijing Pharma Sciences Co., Ltd., a leading contract research organisation (CRO) in Beijing. He is now responsible for research and development activities at both KBP BioSciences and Hainan Sihuan CVD Research.

JOINT COMPANY SECRETARIES

Mr. Ngai Wai Fung (魏偉峰), aged 48, is a joint company secretary of the Company. Mr. Ngai is currently the vice president of the Hong Kong Institute of Chartered Secretaries and the chairman of its Membership Committee. Mr. Ngai is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Ngai holds a Master of Corporate Finance Degree from the Hong Kong Polytechnic University, Master of Business Administration Degree from Andrews University of the United States and a Bachelor of Laws (with Honours) Degree from the University of Wolverhampton, the United Kingdom.

As at the Latest Practicable Date, Mr. Ngai was acting as independent non-executive director of the following companies listed on the Stock Exchange:

- BaWang International (Group) Holding Limited (Stock Code: 1338)
- Bosideng International Holdings Limited (Stock Code: 3998)
- China Railway Construction Corporation Limited (Stock Code: 1186)
- Franshion Properties (China) Limited (Stock Code: 817)
- Powerlong Real Estate Holdings Limited (Stock Code: 1238)
- Sany Heavy Equipment International Holdings Company Limited (Stock Code: 631)
- SITC International Holdings Company Limited (Stock Code: 1308)

As at the Latest Practicable Date, Mr. Ngai also holds the role of company secretary/ joint company secretary in the following companies listed on the Stock Exchange:

As company secretary	As joint company secretary
• Anton Oilfield Services Group (Stock Code:3337)	• Advanced Semiconductor Manufacturing Corporation Limited (Stock Code:3355)
• Chengdu PUTIAN Telecommunications Cable Co. Ltd. (Stock Code:1202)	• Metallurgical Corporation of China Ltd. (Stock Code:1618)
• CVM Minerals Limited (Stock Code:705)	• Shanghai Jin Jiang International Hotels (Group) Company Limited (Stock Code:2006)
• SOHO China Limited (Stock Code:410)	• Sichuan Xinhua Winshare Chainstore Co. Ltd. (Stock Code:811)
• Zhaojin Mining Industry Company Limited (Stock Code:1818)	• Sinopharm Group Company Limited (Stock Code:1099)

As company secretary	As joint company secretary
• Uni-President China Holdings Ltd. (Stock Code:220)	• Yingde Gases Group Company Limited (Stock Code:2168)
• China Huiyuan Juice Group Limited (Stock Code:1886)	• China Longyuan Power Group Corporation Limited (Stock Code:916)
• Trauson Holdings Company Limited (Stock Code:325)	• China Pacific Insurance (Group) Co., Ltd. (Stock Code:2601)
	• International Mining Machinery Holdings Ltd. (formerly TJCC IMM) (Stock Code:1683)
	• Kwang Sung Electronics H.K. Co. Ltd. (Stock Code:2310)
	• Midas Holdings Limited (Stock Code:1021)
	• Sunac China Holdings Limited (Stock Code:1918)

Notwithstanding the above appointments, Mr. Ngai has sufficient time to be company secretary of our Company.

Mr. Choi Yiau Chong. Further information on Mr. Choi is set forth in the paragraphs under "Senior Management" above.

Further details of the waivers granted by the Stock Exchange to our Company from strict compliance with Rule 8.17 of the Listing Rules are set out in the paragraph headed "Qualification of Joint Company Secretaries" in the section headed "Waivers from Strict Compliance with the Listing Rules" in this prospectus.

BOARD COMMITTEES

Audit committee

On 8 October 2010, we established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "**Code**"). The audit committee consists of one non-executive Director, namely Dr. Zhang and three independent non-executive Directors, namely Mr. Patrick Sun, Mr. Bai Huiliang and Mr. Xu Kangsen, and is chaired by Mr. Patrick Sun who has professional qualifications in accountancy. The primary duties of the audit committee are to assist our Board to provide an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Company, to oversee the audit process and to perform other duties and responsibilities as assigned by our Board.

Remuneration committee

On 8 October 2010, we established a remuneration committee with written terms of reference in compliance with paragraph B1 of the Code. The remuneration committee consists of Dr. Che, our Chairman and CEO, and three independent non-executive Directors, namely, Mr. Patrick Sun, Mr. Bai Huiliang and Mr. Xu Kangsen. The remuneration committee is chaired by Dr Che. The primary duties of the remuneration committee include (without limitation):

- making recommendations to our Directors on our policy and structure for all remuneration of our Directors and senior management and on the establishment of a transparent and formal procedure for developing policies on their remuneration;

- determining the terms of our Directors' and senior management's specific remuneration packages; and

- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

Nomination committee

On 8 October 2010, we established a nomination committee with written terms of reference in compliance with the Code. The nomination committee consists of Dr. Guo, one of our executive Directors and three independent non-executive Directors, namely, Mr. Patrick Sun, Mr. Bai Huiliang and Mr. Xu Kangsen and is chaired by Dr. Guo. The primary duties of the nomination committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendation to our Board on matters relating to the appointment of Directors.

DIRECTORS' REMUNERATION

Our executive Directors receive compensation, in their capacities as our Company's employees, in the form of salaries, bonuses, other allowances and benefits in kind, including our contribution to the pension scheme for our executive Directors.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid or payable to our Directors for the three financial years ended 31 December 2009 and the six months ended 30 June 2010 was RMB5.4 million, RMB8.8 million, RMB14.1 million and RMB9.7 million, respectively.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid or payable by our Group to our five highest paid individuals (excluding any of our Directors) for the three financial years ended 31 December 2009 and the six months ended 30 June 2010 was RMB0.8 million, RMB0.9 million, RMB1.0 million and RMB3.0 million, respectively.

No remuneration was paid by our Company to our Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as a compensation for loss of office during the Track Record Period. Under our arrangement currently in force, the aggregate amount of remuneration of our Directors for the year ending 31 December 2010 is estimated to be RMB13 million.

Particulars of Directors' service contracts

Further information about the employment agreements entered into between our Company and our Directors is set out in the section headed "Particulars of service agreements" in Appendix VIII to this prospectus.

COMPLIANCE ADVISOR

We have appointed Daiwa Capital as our compliance advisor under Rule 3A.19 of the Listing Rules to advise us on the following circumstances under Rule 3A.23 of the Listing Rules:

- before the publication of any regulatory announcement circular or financial report;
- where a transaction is contemplated, which might be a notifiable or connected transaction, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares or any other matters under Rule 13.10 of the Listing Rules.

The terms of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and the appointment may be extended by mutual agreement.

EMPLOYEES

As at the Latest Practicable Date, our Group had a total of 985 full-time employees. The following table shows a breakdown of employees of our Group by functions.

Function	Number of employees	Percentage
Manufacturing and Quality Control	181	18.4%
Sales and Marketing	266	27.0%
Research and Development	333	33.8%
General Administration	131	13.3%
Management	74	7.5%
Total	**985**	**100%**

OUR GROUP'S RELATIONSHIP WITH EMPLOYEES

We recognise the importance of good relationships with our employees. We continue to provide training for our staff to enhance technical and product knowledge as well as knowledge of industry quality standards.

We believe that we maintain good working relationships with our employees and have not experienced any material disruption of normal business operations due to strikes or labour disputes.

MANAGEMENT INCENTIVE SCHEME

An award scheme for the purpose of incentivising the management of our Group (the "**Management Incentive Scheme**") will be adopted by certain Shareholders of our Company (namely, Plenty Gold, Dr. Che and Dr. Guo) prior to Listing.

Trustee Co (a private trust company established in the British Virgin Islands and wholly-owned by Plenty Gold) will be appointed as the trustee (the "**Scheme Trustee**") to hold the reserve shares under the Management Incentive Scheme, and the Scheme Trustee will, upon receiving instructions from the remuneration committee of our Company, award to selected management personnel of our Group (excluding Directors) (a "**Grantee**") the rights to acquire the Reserve Shares ("**Awards**") at a price of HK$5.60 per Reserve Share (the "**Option Price**") from time to time.

Prior to Listing, Plenty Gold, Dr. Che and Dr. Guo, as settlors (the "**Settlors**") of a trust, will reserve and set aside a total of 4,230,000 Shares, which will represent 33,750,000 Shares (or approximately 0.7%) of the total number of issued Shares immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-Allotment Option is not exercised) (the "**Reserve Shares**"), to be held by Trustee Co as trustee for the Management Incentive Scheme. The Management Incentive Scheme involves granting of existing Shares and no new Shares will be issued pursuant to this arrangement. The Reserve Shares will not be counted towards the public float as Grantees of Awards will be selected management personnel of our Group (excluding Directors) and the Settlors are connected persons. All related award schemes (including this Management Incentive Scheme) will not in aggregate exceed 30% of the issued share capital of our Company.

The remuneration committee of our Company shall determine which employee will be granted the Awards, and Awards may be granted at any time during a period of three years commencing on the Listing Date. Subject to satisfying certain terms and conditions for exercise of the Awards, including our Company meeting certain pre-set profit thresholds for any relevant financial year, a Grantee may exercise any portion of his or her Award accepted by him/her at any time before the deadline for exercising the Award as stated in the offer letter from the Scheme Trustee to such employee. As advised by our Reporting Accountant the implementation of the Management Incentive Scheme will not have any accounting impact on the Group until instructions are given by the remuneration committee of our Company to the Scheme Trustee for the granting of any Award.

According to IFRS 2, BC 89, "In the context of an employee share option, grant date is when the entity and the employee enter into an agreement, whereby the employee is granted rights to the share option, provided that specified conditions are met, such as the employee's remaining in the entity's employ for a specified period." Before instructions are given by the remuneration committee of our Company to the Scheme Trustee, the employees have not been granted rights to the share options. As

a result, the Management Incentive Scheme will not have any accounting impact until the Awards are granted. Upon the granting of Awards to the Grantees by the Scheme Trustee upon instructions from the remuneration committee of our Company pursuant to the terms of the Management Incentive Scheme, the fair value amount of the Award on the grant date will be recognised as expenses in the income statement, and the corresponding amount will be treated as a capital contribution from Shareholders given the Awards are granted by the Shareholders to compensate the Group's employees for the services rendered to the Group.

EMPLOYEE BENEFITS

Our Group's remuneration to employees includes salaries, allowances and bonuses. During the Track Record Period, our Group has also made contributions to the following staff-related plans or funds in accordance with applicable regulations in the PRC: various social security funds including basic pension insurance (基本養老保險), basic medical insurance (綜合醫療保險), unemployment insurance (失業保險), occupational injury insurance (工傷保險) and insurance for maternity leave (生育醫療保險).

So far as our Directors are aware, immediately following completion of the Global Offering (without taking into account the exercise of the Over-Allotment Option), the following persons will be, directly and/or indirectly interested in 10% or more of the nominal value of any class of our share capital, carrying right to vote in all circumstances at our general meeting:

Shareholder	Number of Shares held after Global Offering	Nature of Interest	Approximate percentage of shareholding in us after Global Offering*(Note 1)*
Plenty Gold (1)	3,288,750,000	Beneficial interest and settlor of a trust	65.8%
Plenty Gold (2)	187,500,000	Beneficial interest	3.8%
Dr. Che (3)	3,348,750,000	Beneficial interest, interest in a controlled corporation and settlor of a trust	67.0%

Notes:

(1) Plenty Gold directly holds 3,255,000,000 Shares in our Company. It is also the sole shareholder of Trustee Co which holds 33,750,000 Shares in our Company and is deemed to be interested in the 33,750,000 Shares held by Trustee Co.

(2) Plenty Gold is deemed to be interested in the short position of the 187,500,000 Shares pursuant to the Stock Borrowing Agreement for purposes of the SFO.

(3) Dr. Che is the beneficial owner of 51% of the issued share capital of Plenty Gold as well as one of the settlors of the trust for which Trustee Co is trustee, and is deemed to be interested in the 3,255,000,000 Shares held by Plenty Gold in our Company. Since Plenty Gold is the sole shareholder of Trustee Co and that Dr. Che is one of the settlors of the trust assets (being Shares in our Company) held by Trustee Co, he is also deemed to be interested in the 33,750,000 Shares held by Trustee Co. Dr. Che also directly holds 60,000,000 the Shares in our Company.

Except as disclosed in this prospectus, we are not aware of any person who will, immediately following the completion of the Global Offering, be directly or indirectly interested in 10% or more of our issued share capital. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

The following is a description of the capital structure of our Company.

Authorised share capital

10,000,000,000 Shares of HK$0.01 each	HK$100,000,000

Assuming the Over-Allotment Option is not exercised, the share capital of our Company immediately following the Global Offering will be as follows:

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering

470,000,000 Shares in issue	HK$4,700,000
3,280,000,000 Shares to be issued pursuant to the Capitalisation Issue	HK$32,800,000
1,250,000,000 Shares to be issued in the Global Offering	HK$12,500,000
Total	HK$50,000,000

Assuming the Over-Allotment Option is exercised in full, the share capital of our Company immediately following the Global Offering will be as follows:

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering

470,000,000 Shares in issue	HK$4,700,000
3,280,000,000 Shares to be issued pursuant to the Capitalisation Issue	HK$32,800,000
1,250,000,000 Shares to be issued in the Global Offering	HK$12,500,000
187,500,000 Shares to be issued pursuant to the Over-Allotment Option	HK$1,875,000
Total	HK$51,875,000

ASSUMPTIONS

The above tables assume that the Capitalisation Issue has been completed and the Global Offering has become unconditional and been completed. It takes no account of any Shares which may be allotted and issued or repurchased by our Company under the general mandates of any Shares referred to below.

RANKING

The Offer Shares will rank equally with all our Shares now in issue or to be issued and will qualify for all dividends, income and other distributions and any other rights and benefits attaching or accruing to our Shares after the completion of the Global Offering.

GENERAL MANDATE TO ISSUE SHARES

Assuming the Global Offering becomes unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the total nominal amount of our share capital in issue immediately following the completion of Global Offering and the Capitalisation Issue but before the exercise of the Over-Allotment Option; and

- the total nominal amount of our share capital repurchased by us under the mandate as mentioned in sub-section headed "General Mandate to Repurchase Shares" below.

The general mandate is in addition to the powers of our Directors to allot, issue or deal with Shares under any rights issue, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend in accordance with our Bye-Laws, or pursuant to the exercise of any subscription rights attached to any warrants which may be issued by us from time to time, or upon the exercise of the Over-Allotment Option. The general mandate does not include any Shares to be issued pursuant to the exercise of the Over-Allotment Option.

This mandate will expire:

- at the conclusion of the next annual general meeting of our Company; or

- at the expiration of the period within which our Company is required by its Bye-Laws or any applicable laws of Bermuda to hold its next annual general meeting; or

- when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

Particulars of this general mandate is set out in the section headed "Statutory and General Information — A. Further Information about our Company — 3. Written resolutions of our Shareholders passed on 8 October 2010".

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal amount of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option).

This mandate only relates to repurchases made on the Main Board, or on any other stock exchange on which the Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules are set out in "Statutory and General Information — A. Further Information about our Company" in Appendix VIII to this prospectus.

This mandate will expire:

- at the conclusion of the next annual general meeting of our Company; or
- at the expiration of the period within which our Company is required by its Bye-Laws or any applicable laws of Bermuda to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

Particulars of this general mandate are set out in "Statutory and General Information — A. Further Information about our Company — 6. Repurchase of our own securities".

We have entered into seven agreements with cornerstone investors (the "**Cornerstone Investors**" and each a "**Cornerstone Investor**") who in aggregate have agreed to subscribe for approximately US$190,000,000 (or approximately HK$1,473,887,000) worth of our Offer Shares at the Offer Price (collectively, the "**Cornerstone Placing**"). Assuming an Offer Price of HK$4.24, being the mid-point of the indicative range of the Offer Price of HK$3.88 to HK$4.60 per Share, the total number of Shares subscribed by the Cornerstone Investors will be approximately 347,615,000, which is approximately 7.0% of the Shares outstanding upon completion of the Global Offering and 27.8% of the Offer Shares (assuming the Over-Allotment Option is not exercised), respectively. Each of the Cornerstone Investors is an independent third party not connected with us and will not be a substantial shareholder of our Company upon Listing and during the six-month lock-up period as described below.

The Cornerstone Placing forms part of the International Offering. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering other than pursuant to the respective cornerstone placing agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will rank pari passu in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors has a representative on our Board. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in "Structure of the Global Offering — The Hong Kong Public Offering". Each of the Cornerstone Investors has agreed that, without the prior written consent of the Company and the Joint Global Coordinators, it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date, dispose of any Shares subscribed for pursuant to the respective cornerstone placing agreement or any Shares or other securities of the Company deriving from such Shares pursuant to any rights issue, capitalisation issue or other form of capital reorganisation, or enter into any swap or other arrangement that transfer to another any beneficial ownership of the acquired Shares. Each Cornerstone Investor may transfer the Shares so subscribed for in certain limited circumstances, such as transfer to a wholly-owned subsidiary of such Cornerstone Investor and any such transfer can only be made when the transferee agrees to be subject to the restrictions on disposal imposed on the Cornerstone Investor. Each of the Joint Global Coordinators confirms that, unless in exceptional circumstances, it will not exercise its discretion to release the Cornerstone Investors from the above lock-up arrangements.

China Life Insurance (Group) Company ("China Life Group")

China Life Group has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with an amount of HK$232,719,000 (equivalent to approximately US$30 million) at the Offer Price which shall not be more than HK$4.60. Assuming an Offer Price of HK$4.24, being the mid-point of the indicative range of the Offer Price of HK$3.88 to HK$4.60 per Share, China Life Group will be subscribing for 54,887,000 Shares, which would represent approximately (i) 1.1% of the Shares issued and outstanding upon completion of the Global Offering, and (ii) 4.4% of the total number of Offer Shares, assuming the Over-Allotment Option is not exercised.

China Life Group is the controlling shareholder of China Life Insurance Company Limited ("**CLICL**"). CLICL is a life insurance company established in Beijing under the Company Law. CLICL was listed on the New York Stock Exchange (stock code: LFC) and the Stock Exchange (stock

code: 2628) in December 2003 and the Shanghai Stock Exchange (stock code: 601628) in January 2007. CLICL is one of the largest life insurance companies in China's life insurance market. It is one of the largest institutional investors in China and through its controlling shareholding in China Life Asset Management Company Limited, CLICL is the largest insurance asset management company in China. CLICL also has a controlling shareholding in China Life Pension Company Limited. CLICL is a leading provider of annuity products and life insurance for both individuals and groups, and a leading provider of accident and health insurance in China.

China Life Insurance (Overseas) Company Limited ("China Life Overseas")

China Life Overseas has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with an amount of HK$155,146,000 (equivalent to approximately US$20 million) at the Offer Price which shall not be more than HK$4.60. Assuming an Offer Price of HK$4.24, being the mid-point of the indicative range of the Offer Price of HK$3.88 to HK$4.60 per Share, China Life Overseas will be subscribing for 36,591,000 Shares, which would represent approximately (i) 0.7% of the Shares issued and outstanding upon completion of the Global Offering, and (ii) 2.9% of the total number of Offer Shares, assuming the Over-Allotment Option is not exercised.

China Life Overseas is a wholly-owned subsidiary of China Life Group. China Life Overseas is the first and largest PRC state-owned life insurance corporation that operates in Hong Kong and Macau. China Life Overseas has been operating in Hong Kong for 25 years. Its business covers three main categories, including insurance, investment as well as provident fund service.

Hillhouse Capital Management, Ltd ("**Hillhouse**")

Gaoling Fund, L.P. ("**Gaoling Fund**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with an amount of approximately US$45 million at the Offer Price which shall not be more than HK$4.60. Assuming an Offer Price of HK$4.24, being the mid-point of the indicative range of the Offer Price of HK$3.88 to HK$4.60 per Share, Gaoling Fund will be subscribing for 82,330,000 Shares, which would represent approximately (i) 1.7% of the Shares issued and outstanding upon completion of the Global Offering, and (ii) 6.6% of the total number of Offer Shares, assuming the Over-Allotment Option is not exercised.

The Gaoling Fund is an Asia focused fund managed by Hillhouse. Hillhouse manages capital for world-class institutional investors, concentrating on making equity investments over a long term investment horizon. Hillhouse takes a research intensive, bottoms-up approach to investing that is highly focused on business fundamentals. As of 1 September 2010, Hillhouse has approximately US$4 billion in invested and committed capital under management.

Quantum Partners LP ("**Quantum**")

Quantum has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with an amount of HK$310,292,000 (equivalent to approximately US$40 million) at the Offer Price which shall not be more than HK$4.60. Assuming an Offer Price of HK$4.24, being the mid-point of the indicative range of the Offer Price of HK$3.88 to HK$4.60 per

Share, Quantum Partners LP will be subscribing for 73,182,000 Shares, which would represent approximately (i) 1.5% of the Shares issued and outstanding upon completion of the Global Offering, and (ii) 5.9% of the total number of Offer Shares, assuming the Over-Allotment Option is not exercised.

Quantum is a private investment fund that pursues a variety of macro, equity and arbitrage strategies. The investment adviser to Quantum is Soros Fund Management LLC. SFM is based in New York City and as of 31 December 2009 had assets under management in excess of US$10 billion.

Value Partners Limited

Value Partners Limited has agreed to procure investment or collective investment or collective investment fund(s) and/or managed accounts which Value Partners Limited or its fellow subsidiary is acting as investment manager or investment advisor for ("**Investor Funds**"), to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with an amount of HK$155,146,000 (equivalent to approximately US$20 million) at the Offer Price which shall not be more than HK$4.60. Assuming an Offer Price of HK$4.24, being the mid-point of the indicative range of the Offer Price of HK$3.88 to HK$4.60 per Share, the Investor Funds will be subscribing for 36,591,000 Shares, which would represent approximately (i) 0.7% of the Shares issued and outstanding upon completion of the Global Offering, and (ii) 2.9% of the total umber of Offer Shares, assuming the Over-Allotment Option is not exercised.

Value Partners Limited acts as investment manager or investment advisor to certain investment funds. Value Partners Limited is a leading Asia Pacific asset management company headquartered in Hong Kong and a wholly-owned subsidiary of Value Partners Group Limited, a company listed on the Stock Exchange (stock code: 806). Value Partners Limited's products include a range of absolute return long-biased equity investment funds which invest in the Asia Pacific equity markets, with some focusing on the Greater China markets. Value Partners Limited also manages hedge funds and provides investment advisory services for institutional investors. Value Partners' products and services also form part of a comprehensive range of investment solutions offered by the Value Partners Group under Value Partners brand and Sensible Asset Management brand.

Yunfeng Fund

Yunfeng Fund has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with an amount of HK$155,146,000 (equivalent to approximately US$20 million) at the Offer Price which shall not be more than HK$4.60. Assuming an Offer Price of HK$4.24, being the mid-point of the indicative range of the Offer Price of HK$3.88 to HK$4.60 per Share, Yunfeng Fund will be subscribing for 36,591,000 Shares, which would represent approximately (i) 0.7% of the Shares issued and outstanding upon completion of the Global Offering, and (ii) 2.9% of the total number of Offer Shares, assuming the Over-Allotment Option is not exercised.

Yunfeng Fund is established by Mr. Jack Ma, the Chairman and CEO of Alibaba Group, and Mr. David Yu, former Co-Chairman of Focus Media Holdings Limited in 2010. The Funds are managing about US$1 billion of assets for partners who are mainly successful entrepreneurs in mainland China. The Funds are focusing on equity investment opportunities of China related companies.

CCB International Asset Management Limited ("CCBIAM")

CCBIAM has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with an amount of HK$116,359,500 (equivalent to approximately US$15 million) at the Offer Price which shall not be more than HK$4.60. Assuming an Offer Price of HK$4.24, being the mid-point of the indicative range of the Offer Price of HK$3.88 to HK$4.60 per Share, CCBIAM will be subscribing for 27,443,000 Shares, which would represent approximately (i) 0.6% of the Shares issued and outstanding upon completion of the Global Offering, and (ii) 2.2% of the total number of Offer Shares, assuming the Over-Allotment Option is not exercised.

CCBIAM is a company incorporated in Hong Kong and is ultimately controlled by China Construction Bank Corporation, which is listed on the Stock Exchange and the Shanghai Stock Exchange (Stock code: HK.0939 and CH.601939 respectively). CCBIAM has invested in a number of pre-IPO projects in the PRC and Hong Kong as well as Hong Kong listed companies, covering such sectors as healthcare, energy and resources, infrastructure, consumer, media and real estate. CCBIAM, through its PRC subsidiary, has also recently established the CCBI Healthcare Fund for the purpose of investing in, and thereby funding the future development of, healthcare companies established in the PRC.

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial information as of and for the years ended 31 December 2007, 2008 and 2009 and as of and for the six months ended 30 June 2010, in each case, the related notes set out in the accountant's report included as Appendix I to this prospectus (the "Consolidated Financial Information"). Our Consolidated Financial Information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. Our fiscal year ends on 31 December.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

References below to "2007" are to the financial year ended 31 December 2007, to "2008" are to the financial year ended 31 December 2008 and to "2009" are to the financial year ended 31 December 2009.

OVERVIEW

We are a leading pharmaceutical company with the largest cardio-cerebral vascular drug franchise in the PRC in terms of market share, accounting for approximately 7.2%, 7.3% and 7.4% of the market in 2007, 2008 and 2009, respectively. We have a differentiated and proven sales and marketing model, supported by an extensive nationwide distribution network covering close to 10,000 hospitals through over 2,000 distributors in all 31 provinces, autonomous regions and cities throughout the PRC. We have strong research and development capabilities which focus on the development of innovative and first-to-market generic drugs. We also have a proven track record of identifying and acquiring drugs with market potential.

We operate in only one business segment, the manufacture and sale of pharmaceutical products. For the three years ended 31 December 2007, 2008 and 2009, our revenue was RMB286.3 million, RMB510.0 million and RMB708.9 million, respectively, representing a CAGR of 57.4% over the period. For the same period, our net profit was RMB178.8 million, RMB233.4 million and RMB313.7 million, respectively, representing a CAGR of 32.5% and our net profit attributable to our equity holders was RMB179.3 million, RMB237.1 million and RMB326.3 million, respectively, representing a CAGR of 34.9%. For the six months ended 30 June 2010, our revenue was RMB473.4 million, our net profit was RMB247.4 million and our net profit attributable to our equity holders was RMB254.8 million.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have historically been, and will continue to be, most significantly affected by the following factors:

The growth of the pharmaceutical market in the PRC

The pharmaceutical market in the PRC has grown rapidly in recent years. According to IMS, the PRC pharmaceutical market grew from RMB107.2 billion in 2005 to RMB243.9 billion in 2009,

representing a CAGR of 22.8%. Growth in the PRC pharmaceutical market has been partly driven by the favourable macro environment in terms of GDP growth and an increase in healthcare expenditure in the PRC. As a result of the increased urbanisation, increased disposable income and health awareness, aging population and the prevalence of chronic health problems, and government initiatives relating to the healthcare industry, the PRC pharmaceutical market is projected to continue to experience a significant growth rate in the future. In addition, the PRC government has announced that it will spend an additional RMB850 billion on medical reforms through 2011, which we believe will significantly bolster PRC healthcare and pharmaceutical spending, in part through increased coverage of social medical insurance and increased accessibility to the healthcare system. IMS projects that the PRC pharmaceutical market will become the world's third largest pharmaceutical market by 2011, up from its number five ranking in 2009, and that the size of the PRC pharmaceutical market will reach RMB691.3 billion by 2014, representing a CAGR of 23.2% from 2009 to 2014.

According to IMS, the top five pharmaceutical drugs by therapeutic area in 2009, in terms of hospital purchases, were: (i) systemic anti-infective drugs; (ii) alimentary tract and metabolism drugs; (iii) cardiovascular system drugs; (iv) antineoplastic and immunomodulating agents; and (v) nervous system drugs. We primarily target cardio-cerebral vascular, anti-infective and other areas including central nervous system, respiratory and oncology therapies, as we believe these therapeutic areas represent market segments with the largest medical needs in the PRC and where we have the greatest ability to realise commercialisation.

We derive a significant portion of our revenue from the PRC cardio-cerebral vascular drug market. As a result, our financial results have been, and are expected to continue to be, significantly impacted by the growth of the cardio-cerebral vascular drug market. In 2009, the size of the cardio-cerebral vascular drug market was RMB28.5 billion, compared to RMB12.0 billion in 2005, representing a CAGR of 24.1% according to IMS. Consistent with that increase, our revenue from our sales of cardio-cerebral vascular drugs increased during 2007, 2008, 2009 and the six months ended 30 June 2010. Cerebral and peripheral vascular therapies, which include our products such as Kelinao, Anjieli and Chuanqing, constituted the largest sub-segment of the cardio-cerebral vascular drug market in 2009, accounting for 36.4% of the overall cardio-cerebral vascular drug market in 2009. According to IMS, hospital purchases of cerebral and peripheral vascular therapies in the PRC was RMB4.4 billion in 2005 compared to RMB10.4 billion in 2009, representing a CAGR of 24.0%.

We intend to increase sales of our cardio-cerebral vascular drugs, anti-infective and other drugs, which cover the top five medical therapeutic areas in the PRC in 2009, and expand our product portfolio and distribution networks to fully capitalise on the growth of the pharmaceutical market in the PRC. For additional details regarding the expected growth of the pharmaceutical market in the PRC see "Industry Overview" in this prospectus.

Product mix and production capacity

Our product mix and production capacity affect our revenue, cost of sales, gross profit and gross profit margin. Our gross profit margin is affected by our product mix, particularly by the proportion of high gross profit margin products as compared to low gross profit margin products. For example, during 2007, 2008, 2009 and the six months ended 30 June 2010, our gross profit margin was primarily affected by an increased proportion in our product mix of anti-infective drugs and other drugs, which have lower average gross profit margin compared to our cardio-cerebral vascular drugs. Anti-infective

drugs and other drugs have lower average gross profit margin because (i) they are generally sold at lower prices compared to cardio-cerebral vascular drugs and (ii) they are manufactured by our subcontracting manufacturers instead of being manufactured at our own facilities, which results in higher cost of sales. As a result, although our revenue during 2007, 2008, 2009 and the six months ended 30 June 2010 increased, our gross profit margin decreased.

As of the Latest Practical Date, 21 of our products, including all of our anti-infective drugs and other drugs as well as some of our cardio-cerebral vascular drugs, such as Chuanqing, are manufactured by our subcontracting manufacturers. The increase in proportion in our product mix of drugs manufactured by our subcontracting manufacturers is due in part to constraints in our production capacity and capability to manufacture such products ourselves. Revenue from the sales of our products that are manufactured by subcontracting manufacturers constituted approximately 23.6%, 30.6%, 27.7% and 23.4% of our total revenue for 2007, 2008, 2009 and the six months ended 30 June 2010, respectively.

During 2007, 2008, 2009 and the six months ended 30 June 2010, our reliance on our subcontracting manufacturers negatively impacted our sales growth. For example, in 2008, certain of our subcontracting manufacturers were not able to manufacture sufficient quantities of Chuanqing to meet our orders. We have since procured new subcontracting manufactures to supply us with sufficient quantities of products to meet our needs. In addition, we are in the process of increasing our production capacities and capabilities by constructing two new production facilities in Langfang and Beijing and acquiring additional production equipment to meet the increasing demand for our products and to move further towards in-house production of additional key APIs required to manufacture certain of our products, such as Chuanqing and Qu'Ao, which are currently manufactured by our subcontracting manufacturers. We believe that this will be more cost-effective than procurement from subcontracting manufacturers. We have allocated approximately 15% of the net proceeds of this offering for funding the capital expenditures required for the construction of the two production facilities. We also expect to increase our total production capacities for certain products, such as Kelinao and Anjieli. See "Risk Factors — Risks Relating to Our Business — We rely on third-party subcontracting manufactures to produce some of our pharmaceutical products" and "Risk Factors — Risks Relating to Our Business — Any prolonged or significant disruption to our manufacturing operations may adversely affect our business, financial condition and results of operations".

Market penetration

Our sales volumes are and will continue to be impacted by the level of our market penetration. Our marketing strategy and extensive sales and distribution network have enabled us to achieve rapid and deep market penetration in an efficient manner. Our nationwide distribution network covers close to 10,000 hospitals through over 2,000 distributors in all 31 provinces, autonomous regions and cities throughout the PRC. In addition, our products have penetrated into county-level markets in certain densely populated provinces, such as Zhejiang, Guangdong and Henan.

Our distribution network is managed and supported by an in-house team of 278 dedicated sales and product managers whose responsibilities include determining product positioning, formulating marketing strategies and managing and expanding our distribution network. We believe that the sales forces of our distributors have a deep understanding of their local markets and have established sales

channels with local hospitals and physicians, and therefore can effectively promote our products. Given the geographical size of the PRC market, we consider it critical to establish long-term business relationships with our distributors and their sales forces in different locations and to work closely with them to market and sell our products.

During 2007, 2008, 2009 and the six months ended 30 June 2010, the increase in revenue from the sales of our products was in part due to our increased market penetration such as the establishment of new regional sales offices, including offices in Fujian and Xinjiang. We will continue to extend our sales and distribution network, with a view to further enlarge market share and deepen market penetration.

Introduction of new products

Our future results of operations depend on our ability to (i) develop and commercialise new products and (ii) identify and develop market leading products through acquisitions. We recently launched two products, Pojia and Ren'Ao, both of which we believe will be significant contributors to our growth. Pojia (a broad spectrum semi-synthetic penicillin antibiotic in injection form) is used for the treatment of microbial infections. As a result of the recent inclusion of Pojia to the National Medicine Catalogue and the growth of the anti-infective market in the PRC, we believe Pojia has good market potential and will grow significantly. Ren'Ao (an anti-epileptic drug) was also recently included in the National Medicine Catalogue. We believe that the potential market for Ren'Ao is large given the growth of the anti-epileptic drug market in the PRC. See "Business — Our Products" for more details on these products.

In addition, we currently have over 30 product candidates, including 10 innovative drugs, that are in various stages of development for treatments of cardio-cerebral vascular diseases, central nervous system diseases, infections, hypertension, cancer and other diseases. Among these product candidates, we expect (i) nalmefene hydrochloride (an opioid receptor inhibitor used for the treatment of anesthesia); (a cerebral protection drug used to improve the sequelae of acute cerebral infarction); (ii) fasudil hydrochloride injection (a circulatory system drug used to treat cerebral vasospasm); (iii) levetiracetam injection (a drug used to treat epilepsy); and (iv) levophencynonate hydrochloride (an anti-cholinergic agent used for the prevention and treatment of vertigo symptoms) to be significant contributors to our growth. We expect to receive SFDA approval for production of these products candidates in the next one to four years and launch them thereafter: nalmefene hydrochloride in 2011; fasudil hydrochloride in 2012; levetiracetam injection in 2013 and levophencynonate hydrochloride in 2014. See the section headed "Business — Research and Development — Drugs under development" in this prospectus for more details on these product candidates.

We also plan to develop new propriety products through our in-house research and development teams, and in particular through KBP BioSciences, which has extensive experience in developing innovative drugs. We will also seek to increase our collaborations with external research institutions, hospitals and universities in the PRC in developing new products and production techniques, as well as to improve production quality and efficiency of existing products.

We have a dedicated team responsible for identifying and acquiring target products, which we believe have good commercial potential and are complimentary to our existing product portfolio.

Since 2007, we have successfully identified and acquired 19 out of our 44 products through acquisitions, such as Aogan and Kanglixin, which are both market leading products. We also conduct research and development to improve the quality, efficacy and safety of such acquired products. In the future, we intend to continue expanding our product portfolio through acquisitions.

Regulatory environment in the PRC

Our results of operations are and will continue to be affected by regulations promulgated or undertaken by the PRC government, particularly those governing which of our products are covered by insurance, which of our products are subject to retail price controls and the procurement of pharmaceutical products subject to a collective tender process.

Patients purchasing pharmaceutical products that are listed in the National Medicine Catalogue or the Provincial Medicine Catalogue are eligible for full or partial reimbursement under national and provincial medical insurance programs. As such, pharmaceutical products that are listed in the National Medicine Catalogue and the Provincial Medicine Catalogue are generally more affordable to patients than products that are not listed, which usually results in higher sales for a particular drug. The inclusion of our drugs in the National Medicine Catalogue or in the Provincial Medicine Catalogue, therefore, can substantially improve the sales volume of our drugs due to the availability of third-party reimbursements. However, pharmaceuticals included in the National Medicine Catalogue and the Provincial Medicine Catalogue are subject to price controls by the government.

Substantially all of our products are subject to price controls by the government in the form of fixed retail prices or maximum retail prices. These controls indirectly affect the wholesale price of our products. We generate substantially all of our revenue from the sale of our products, which we sell at wholesale prices to distributors, who in turn sell them to hospitals, medical institutions and other distributors. The PRC government authorities do not impose restrictions over the wholesale prices at which pharmaceutical manufacturers, such as ourselves, sell products to distributors. However, controls over and adjustments to the maximum retail price of a pharmaceutical, if significant, could have a corresponding impact on the wholesale price of that pharmaceutical. As of 30 June 2010, 31 of our 44 products were included in the National Medicine Catalogue and were subject to price controls at the national level. In addition, eight were included in the relevant Provincial Medicine Catalogue. The aggregate revenue from these products represented 93.8%, 85.8%, 81.5% and 80.6% of our total revenue for 2007, 2008, 2009 and the six months ended 30 June 2010, respectively. During 2007, 2008, 2009 and the six months ended 30 June 2010, we did not experience any material operational and financial impact as a result of price reductions.

According to the relevant laws and regulations of the PRC, the procurement of substantially all pharmaceutical products, including the pharmaceutical products listed in the National and Provincial Medicine Catalogue, is subject to a collective tender process through which only successful bidders may sell their products to public hospitals and other public healthcare institutions. We participate in such tender processes regularly and the successful bidding prices are the supply prices at which distributors sell the products to the hospitals. The wholesale prices at which we sell to our distributors are determined in part by the successful bidding prices. Our sales volume and market share depend on our ability to win purchase contracts through the collective tender process. If we are not successful in winning bids in the collective tender process, we will lose the revenue associated with the sales of the affected pharmaceutical products to the hospitals in the relevance province or city and our results

of operations may be adversely affected. In addition, should any of our products be removed from the National Medicine Catalogue or Provincial Medicine Catalogue or be subject to any restrictions or significant price reduction, our business, results of operations and financial condition may be materially and adversely affected. See "Risk Factors — Risks Relating to the Pharmaceutical Industry in the PRC."

BASIS OF PRESENTATION

Our financial information is presented in Renminbi, which is also our functional currency, and all values are rounded to the nearest thousand except where otherwise indicated. Our financial statements are prepared in accordance with IFRS. Our consolidated statements of comprehensive income and the consolidated cash flow statements for 2007, 2008, 2009 and the six months ended 30 June 2010 present our results of operations and cash flow for those periods, respectively. Our consolidated balance sheets as of 31 December 2007, 2008 and 2009 and as of 30 June 2010 present our assets and liabilities as of those dates.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

The preparation of our consolidated financial information requires 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 consolidated financial information. The estimates and associated assumptions are based on our historical experience and various other factors that our management believes 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 4 to the accountant's report in Appendix I to this prospectus. Management reviews our estimates and underlying assumptions on an ongoing basis. Our significant accounting policies are set forth in detail in note 2 to the accountant's report included as Appendix I to this prospectus.

Deferred development costs and product development in progress

Our management expenses research and development activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding as and when incurred. Expenditure on development activities (relating to the design and testing of new or improved products) is capitalised under the category of "product development in progress" if the product or process is technically and commercially feasible, we have sufficient resources and the intention to complete development, and the cost can be reliably measured. Upon the commencement of the commercial production of a product, the expenditure on development activities is transferred to "deferred development costs" and amortised on a straight-line basis over the period of its expected benefit. Research and development costs comprise costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities.

Our management determines the estimated future cash flows of each pharmaceutical patent or license for capitalisation of development costs. This estimate is based on projected product lifecycles

for the pharmaceutical industry. Our estimated future cash flows could change significantly as a result of medicine innovations and competitor actions in response to industry cycles. We recognise impairment loss on the capitalised development costs when future cash flows are less than expected and fall below the amount of related development costs.

If the estimated future cash flows had been 10.0% lower than management's estimates for 2007, 2008, 2009 and the six months ended 30 June 2010, we would have recognised impairment losses on the capitalised development costs of RMB0.83 million, RMB0.33 million, RMB0.53 million and RMB0.68 million, respectively. Consequently, we would have needed to reduce the carrying value of development costs by RMB0.83 million, RMB0.33 million, RMB0.53 million and RMB0.68 million, respectively.

Goodwill impairment test

Goodwill represents the excess of the cost of an acquisition over the fair value of our share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of our subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is allocated to our subsidiaries (cash-generating units) for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. An impairment loss is recognised for the amount by which the goodwill's carrying amount exceeds its recoverable amount. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, which require management to make certain assumptions and estimates regarding certain industry trends and future profitability of our subsidiaries.

The key assumptions used for value-in-use calculations include revenue growth rate and discount rate. It is our policy to conduct goodwill impairment testing from information based on our most current business projections, which include projected future revenue and cash flows. These cash flows are based on five-year financial forecasts developed internally by our management.

Useful lives of property, plant and equipment

We determine the estimated useful lives and consequently the related depreciation charges for our property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Our management determines the estimate of useful lives of property, plant and equipment by referencing established industry practices, technical assessments made on the durability of the asset, as well as the historical magnitude and trend of repair and maintenance expenses we incur. These estimates could significantly change as a result of technical innovations and competitor actions in response to severe industry cycles.

Our management increases the depreciation charge where useful lives are less than previously estimated lives, and it writes-off or writes-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in future periods.

Deferred taxation

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when our management determines it is likely that future taxable profits will be available against the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

RESULTS OF OPERATIONS

The following table sets forth selected items from our consolidated statement of comprehensive income for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	286,349	510,048	708,907	322,394	473,437
Cost of sales	(60,526)	(133,551)	(191,915)	(90,696)	(127,074)
Gross profit	225,823	376,497	516,992	231,698	346,363
Other gains/(losses)-net	22,744	(8,014)	(16,348)	(29,151)	19,444
Expenses					
— Distribution costs	(22,732)	(38,906)	(48,810)	(22,634)	(26,364)
— Administrative expenses	(38,856)	(53,405)	(78,809)	(35,276)	(52,420)
— Finance (costs)/income-net	(2,527)	470	5,644	177	3,072
Share of profit of an associated company	—	10,427	2,357	2,357	—
Profit before income tax	184,452	287,069	381,026	147,171	290,095
Income tax expense	(5,626)	(53,621)	(67,370)	(36,335)	(42,683)
Profit and total comprehensive income for the year/period	**178,826**	**233,448**	**313,656**	**110,836**	**247,412**
Attributable to:					
Equity holders of the Company	179,266	237,059	326,316	119,594	254,849
Non-controlling interests	(440)	(3,611)	(12,660)	(8,758)	(7,437)
	178,826	233,448	313,656	110,836	247,412
Earnings per share attributable to equity holders of the Company					
— Basic and diluted earnings per share (RMB cents)	39.93	50.44	69.43	25.45	54.22

PRINCIPAL INCOME STATEMENT ITEMS

Revenue

We generate substantially all of our revenue from our sales of pharmaceutical products. Our products include cardio-cerebral vascular drugs and anti-infective drugs and other drugs. We generate a significant portion of revenue from our sales of cardio-cerebral vascular pharmaceutical products, which accounted for 82.3%, 78.7%, 79.1% and 83.0% of our total revenue in 2007, 2008, 2009 and the six months ended 30 June 2010, respectively. Revenue derived from sales of our top five products (including both cardio-cerebral vascular drugs and anti-infective drugs and other drugs) amounted to RMB241.0 million, RMB396.3 million, RMB540.0 million and RMB370.3 million, accounting for 84.1%, 77.7%, 76.2% and 78.2% of our total revenue for 2007, 2008, 2009 and the six months ended 30 June 2010, respectively. However, the composition and contribution as a percentage of revenue of our top five products has changed over those periods.

The following table sets forth the contribution to revenue of our products for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB '000	%	RMB '000	%	RMB '000	%	RMB '000	%	RMB '000	%
							(unaudited)			
Cardio-cerebral vascular drugs										
Kelinao	177,505	62.0	258,822	50.8	330,864	46.7	148,203	46.0	215,899	45.6
Anjieli	13,010	4.5	47,523	9.3	75,252	10.6	35,606	11.0	57,018	12.1
Chuanqing	29,140	10.2	49,580	9.7	63,080	8.9	29,554	9.2	41,809	8.8
Qu'Ao[(1)]	4,581	1.6	23,126	4.5	37,176	5.2	19,369	6.0	24,303	5.1
Aogan	—	—	1,775	0.4	22,837	3.2	7,877	2.4	31,277	6.6
Qingtong	—	—	—	—	12,383	1.8	4,342	1.4	12,746	2.7
Others	11,349	4.0	20,539	4.0	19,029	2.7	9,849	3.0	9,956	2.1
Subtotal	235,585	82.3	401,365	78.7	560,621	79.1	254,800	79.0	393,008	83.0
Anti-infective drugs										
Anjiejian	—	—	4,233	0.8	16,130	2.3	7,226	2.2	11,521	2.4
Kanglixin	1,821	0.6	9,060	1.8	9,321	1.3	4,695	1.5	3,695	0.8
Aolang	2,474	0.9	8,329	1.6	7,770	1.1	3,999	1.2	3,345	0.7
Xiboao	693	0.2	2,317	0.5	1,518	0.2	853	0.3	317	0.1
Others	12,335	4.3	22,290	4.4	20,778	2.9	10,295	3.2	11,781	2.5
Subtotal	17,323	6.0	46,229	9.1	55,517	7.8	27,068	8.4	30,659	6.5

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB '000	%	RMB '000	%	RMB '000	%	RMB '000	%	RMB '000	%
							(unaudited)			
Others										
Naloxone hydrochloride line[2]	14,727	5.2	17,270	3.4	16,143	2.3	8,211	2.6	10,436	2.2
Bi'Ao	2,935	1.0	16,349	3.2	33,642	4.8	15,506	4.8	17,607	3.7
Zhuo'Ao	245	0.1	747	0.1	2,870	0.4	1,281	0.4	1,916	0.4
Others	15,534	5.4	26,808	5.3	32,164	4.5	14,827	4.6	19,161	4.1
Subtotal	33,441	11.7	61,174	12.0	84,819	12.0	39,825	12.4	49,120	10.4
Licensing revenue [3]	—	—	1,280	0.2%	7,950	1.1%	700	0.2%	650	0.1%
Revenue	**286,349**	**100%**	**510,048**	**100%**	**708,907**	**100%**	**322,394**	**100%**	**473,437**	**100%**

Notes:

(1) Qu'Ao is cerebroprotein hydrolysate lyophilised powder for injection.

(2) Our naloxone hydrochloride line includes two products, naloxone hydrochloride lyophilised powder and naloxone hydrochloride injection. Naloxone hydrochloride lyophilised powder is marketed under the brand Xinpuao. Naloxone hydrochloride injection is in liquid injection form and marketed under the brands Feidiao, Pudiao and Quxinao.

(3) Licensing revenue consists of revenue derived from out licensing the marketing and manufacturing rights of products developed by KBP BioSciences and Hainan Sihuan CVD Research to third-party pharmaceutical companies.

During 2007, 2008 and 2009, contribution from the sales of our principal cardio-cerebral vascular products Kelinao, Anjieli and Chuanqing decreased as a percentage of our revenue, amounting to RMB219.7 million, RMB355.9 million and RMB469.2 million and accounting for 76.7%, 69.8% and 66.2% of our total revenue, respectively. For the six months ended 30 June 2010, contribution from the sales of Kelinao, Anjieli and Chuanqing remained stable, accounting for 66.5% of our total revenue compared to 66.2% for the six months ended 30 June 2009. This decrease in contribution of our principal cardio-cerebral vascular products as a proportion of our revenue from 2007 to 2009 was primarily due to the increase in revenue derived from sales of our other cardio-cerebral vascular drugs and anti-infective drugs and other drugs. In particular, revenue from our sales of cardio-cerebral vascular drugs increased primarily due to sales of Qu'Ao, Aogan and Qingtong. Revenue from our sales of Qu'Ao was RMB4.6 million in 2007, RMB23.1 million in 2008 and RMB37.2 million in 2009, representing a CAGR of 184.9%. For the six months ended 30 June 2010, revenue from our sales of Qu'Ao was RMB24.3 million, compared to RMB19.4 million for the six months ended 30 June 2009, representing an increase of 25.5%. This strong increase was primarily due to our increased market penetration as a result of the expansion of our sales and marketing network. We introduced Aogan and Qingtong in 2008 and 2009, respectively, which collectively contributed RMB35.2 million in 2009 and RMB44.0 million for the six months ended 30 June 2010, accounting for almost 5.0% and 9.3% of our total revenue, respectively.

Revenue from our sales of anti-infective drugs and other drugs primarily increased due to sales of Anjiejian and Bi'Ao. Revenue from our sales of Anjiejian increased from RMB4.2 million in 2008 to RMB16.1 million in 2009, representing a CAGR of 281.1%. For the six months ended 30 June 2010, revenue from our sales of Anjiejian was RMB11.5 million, compared to RMB7.2 million for

the six months ended 30 June 2009, representing an increase of 59.4%. Revenue from our sales of Bi'Ao was RMB2.9 million in 2007, RMB16.3 million in 2008 and RMB33.6 million in 2009, representing a CAGR of 238.6%. For the six months ended 30 June 2010, revenue from our sales of Naloxone hydrochloride line was RMB10.4 million compared to RMB8.2 million for the six months ended 30 June 2009, representing an increase of 27.1%. For the same periods, revenue from our sales of Bi'Ao was RMB17.6 million compared to RMB15.5 million, representing an increase of 13.5%. Revenue from our sales of Anjiejian, Naloxone hydrochloride line and Bi'Ao increased primarily as a result of our increased marketing efforts and increased market penetration. In addition, the admission of Naloxone hydrochloride in the National List of Essential Drugs also contributed to the strong growth of this product line.

We expect our product mix to continue to diversify as we further increase the sales of our other cardio-cerebral vascular products and anti-infective drugs and other products, and as we introduce new products such as nalmefene hydrochloride and fasudol hydrochloride injection, which we expect to launch in 2011 and 2012, respectively. Therefore, we expect that future sales of Kelinao, Anjieli and Chuanqing will account for a lower percentage of our total revenue, although revenue from the sales of these products is expected to continue to grow in volume and constitute a substantial portion of our total revenue.

We expect an increase in the sales for all our cardio-cerebral vascular products, especially Kelinao, Anjieli and Chuanqing in the fourth quarter of each year due to higher incidence of cardio-cerebral vascular diseases during the winter season. As a result, hospitals and medical institutions increase their inventory levels in anticipation of a surge in sales and to avoid any shortages during the Chinese New Year season.

We generate revenue (i) through the manufacture and sale of our pharmaceutical products; (ii) through the sale of our pharmaceutical products, such as Chuanqing, whose manufacture has been subcontracted, due to capacity constraints, to third-party pharmaceutical companies under subcontracting manufacturing agreements and (iii) through the distribution of pharmaceutical products owned and manufactured by such third parties. For 2007, 2008, 2009 and the six months ended 30 June 2010, the contribution to revenue of these three sources was as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
Manufactured and sold by us[3]	75.7%	67.3%	66.2%	65.0%	68.3%
Manufactured by third parties under subcontracting manufacturing agreements and sold by us	23.6%	30.6%	27.7%[1]	29.8%	23.4%[1]
Sales by us of third-party products under distribution agreements[2]	0.7%	2.1%	6.1%	5.2%	8.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Notes:

(1) The decrease in proportion relative to the prior year/period reflects capacity constraints experienced by our subcontracting manufactures. We expect revenues from the sales of products manufactured by our subcontracting manufacturers to increase.

(2) We expect revenue derived from this source to increase as we enter into more distribution agreements with third-party pharmaceutical manufacturers.

(3) Including licencing revenue.

We sell substantially all of our products to our distributors, who then on-sell our products mainly to hospitals and medical institutions. Our distributors are widely dispersed on both a geographic and revenue basis. For 2007, 2008, 2009 and the six months ended 30 June 2010, our top five distributors accounted for 30.0%, 21.6%, 19.6% and 16.9% of our total revenue, respectively. Our largest distributor in each of those periods accounted for 12.3%, 7.4%, 6.2% and 4.6%, respectively, of our total revenue for such periods. Sales to our distributors are generally made on a purchase order basis, rather than under a commitment basis. We generally collect payment from our distributors before delivering goods to them. However, under special circumstances, we have in the past extended short-term credit ranging between one and six months to some of our distributors with whom we have long-term relationships.

In order to better manage our sales and distribution system, we anticipate changes to the relationships in our distribution value chain. Starting in the fourth quarter of 2010, for selective products, we will enter into distribution agreements directly with logistics companies who have capabilities to deliver our products to hospitals and medical institutions directly. As a result, our distribution costs are expected to increase. Any increases in distribution costs will be directly passed onto the logistic companies by increasing the wholesale price of our products. This increase in the wholesale price of our products is expected to increase our revenue. Our cost of sales will not be impacted, thereby resulting in higher gross profit and gross profit margin. Our net income will not be significantly impacted. We anticipate that these changes to our distribution system will increase our working capital needs. See the section headed "Future Plans and Use of Proceeds" in this prospectus.

Cost of sales

Our cost of sales primarily consists of the following:

- Finished goods, which comprise the pharmaceutical products that we manufacture in our production facilities and pharmaceutical products that are manufactured by our subcontracting manufacturers;

- Raw materials, which primarily consist of the necessary active ingredients and pharmaceutical excipients of the products we manufacture and various types of packaging materials;

- Manufacturing overheads, which primarily consist of depreciation of property, plant and equipment used for production purposes and overhead costs, including utility, maintenance of production equipment and other expenses associated with the production of our products; and

- Direct labour, which comprises the salaries and benefits for personnel directly involved in production activities.

The following table sets out the principal components of our cost of sales and as a percentage of our total cost of sales for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
							(unaudited)			
	RMB '000	% of cost of sales	RMB '000	% of cost of sales	RMB '000	% of cost of sales	RMB '000	% of cost of sales	RMB '000	% of cost of sales
Finished goods	33,215	54.9	97,389	72.9	138,896	72.4	65,355	72.1	90,863	71.5
Raw materials	17,989	29.7	24,940	18.7	41,514	21.6	19,883	21.9	30,846	24.3
Manufacturing overheads	7,438	12.3	8,813	6.6	8,769	4.6	3,785	4.2	3,375	2.7
Direct labour	1,884	3.1	2,409	1.8	2,736	1.4	1,673	1.8	1,990	1.5
Total	**60,526**	**100%**	**133,551**	**100%**	**191,915**	**100%**	**90,696**	**100%**	**127,074**	**100%**

Our cost of sales increased during 2007, 2008, 2009 and the six months ended 30 June 2010 mainly due to an increase in finished goods and raw materials, which is in line with increased sales of our products. The increase in finished goods was primarily due to our acquisition of Shenzhen Sihuan in the third quarter of 2007, which resulted in the expansion of our product portfolio. Shenzhen Sihuan is principally engaged in the sale of anti-infective drugs and other drugs, which are manufactured by our subcontracting manufacturers. The acquisition resulted in an increased proportion of products in our product mix, which have higher average cost of sales compared to products manufactured in our production facilities.

Gross profit

During 2007, 2008 and 2009, our gross profit was RMB225.8 million, RMB376.5 million and RMB517.0 million, respectively. Our gross profit margin was 78.9%, 73.8% and 72.9%, respectively, for the same periods. The decrease in our gross profit margin was mainly due to our acquisition of Shenzhen Sihuan (which is principally engaged in the sale of anti-infective drugs and other drugs), and the resulting increase in the proportion of our revenue derived from the sale of anti-infective drugs and other drugs, which command a lower average gross profit margin compared to cardio-cerebral vascular drugs. Our gross profit margin was also negatively impacted by an increased proportion in our product mix of our drugs manufactured by our subcontracting manufacturers, which have lower average gross profit margin compared to products manufactured at our production facilities.

For the six months ended 30 June 2010, our gross profit was RMB346.4 million, compared to RMB231.7 million for the six months ended 30 June 2009. Our gross profit margin was 73.2% and 71.9%, respectively, for the same periods. The increase in our gross profit margin was mainly due to (i) an increased proportion in product mix of cardio-cerebral vascular drugs, which have a higher average gross profit margin compared to our anti-infective drugs and other drugs and (ii) an increase in the gross profit margin of our anti-infective drugs and other drugs.

The following table sets out our gross profit and gross profit margin for cardio-cerebral vascular drugs and anti-infective drugs and other drugs for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
							(unaudited)			
	Gross profit RMB '000	Gross profit margin %	Gross profit RMB '000	Gross profit margin %	Gross profit RMB '000	Gross profit margin %	Gross profit RMB '000	Gross profit margin %	Gross profit RMB '000	Gross profit margin %
Cardio-cerebral vascular drugs	204,065	86.6	339,273	84.5(1)	456,535	81.4(1)	208,499	81.8	316,628	80.6(1)
Anti-infective drugs and other drugs	21,758	42.9	37,224	34.2	60,457	40.8	23,199	34.3	29,735	37.0
Total	**225,823**	**78.9**	**376,497**	**73.8**	**516,992**	**72.9**	**231,698**	**71.9**	**346,363**	**73.2**

Note:

(1) The gross profit margin for our cardio-cerebral vascular drugs declined primarily due to a decreased proportion of Kelinao and Anjieli in our cardio-cerebral vascular drug product mix. Kelinao and Anjieli have higher gross profit margins compared to our other cardio-cerebral vascular drugs such as Chuanqing and Qu'Ao.

The gross profit margin for our cardio-cerebral vascular drugs is significantly higher than the gross profit margin of our anti-infective drugs and other drugs primarily due to higher sale prices and lower cost of sales. Our major cardio-cerebral vascular drugs either enjoy market exclusivity as a result of patent protection or have market leading positions in relevant therapeutic areas and are therefore sold at higher prices compared to our anti-infective drugs and other drugs, which have different market characteristics. In addition, we manufacture Kelinao and Anjieli, the largest revenue contributors, at our production facilities instead of purchasing them from our subcontracting manufacturers, which results in lower cost of sales and higher gross profit.

Other gains/(losses)-net

Our other net gains/(losses)-net primarily consist of the following:

- impairment of intangible assets, which primarily consists of impairment loss on capitalised development costs;
- gain on disposal of an associated company, which comprises a one-time gain on the disposal of our associated company, Beijing Purenhong in 2009;
- government grants, which primarily consist of subsidies to encourage spending on pharmaceutical research and development activities and other government grants such as tax subsidies, which were granted to us on the basis of our research and development expenditure and taxes paid; and
- processing fee income mainly represents service fees received by Beijing Sihuan for the subcontracting manufacturing and packaging services performed for other independent pharmaceutical companies. Net processing fee was 1.3%, 0.6%, 0.6% and 0.2% of the Group's total revenue for 2007, 2008, 2009 and the six months ended 30 June 2010, respectively.

The following table sets out our other gains/(losses)-net for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Processing fee income	3,717	3,149	4,393	1,458	945
Government grants	6,969	12,076	19,453	9,577	18,226
Impairment of intangible assets	(930)	(22,805)	(80,261)	(80,261)	—
Gain on disposal of an associated company	—	—	38,201	38,201	—
Gain on sale of equity investments	13,252	—	—	—	—
Write-off of intangible assets	—	(1,535)	(238)	—	—
Donation	—	(1,737)	—	—	—
Others[(1)]	(264)	2,838	2,104	1,874	273
Total	**22,744**	**(8,014)**	**(16,348)**	**(29,151)**	**19,444**

Note:

(1) "Others" include sundry income and expenses.

Expenses

Our expenses consist of distribution costs, administrative expenses and finance costs. The following table sets out a breakdown of our expenses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Distribution costs	(22,732)	(38,906)	(48,810)	(22,634)	(26,364)
Administrative expenses	(38,856)	(53,405)	(78,809)	(35,276)	(52,420)
Finance (costs)/income-net	(2,527)	470	5,644	177	3,072
Total	**(64,115)**	**(91,841)**	**(121,975)**	**(57,733)**	**(75,712)**

Distribution costs

Our distribution costs primarily consist of costs associated with advertising and other marketing activities such as hosting and attending academic trainings, conferences and seminars and other brand-building activities, as well as travel, entertainment and advertising expenses. Our distribution costs also include salaries and related expenses for our personnel engaged in sales, marketing, distribution and customer support functions and other costs associated with advertising and other marketing activities.

For 2007, 2008, 2009 and the six months ended 30 June 2010, our distribution costs were RMB22.7 million, RMB38.9 million, RMB48.8 million and RMB26.4 million, respectively. Our distribution costs increased primarily as a result of additional sales and marketing activities carried out by an increased number of sales personnel. Our sales and marketing activities increased primarily due to our acquisition of Shenzhen Sihuan, establishment of regional sales offices and the increase in the number of our product offerings. However, during the same periods, the proportion of our distribution costs to our total revenue was 7.9%, 7.6%, 6.9% and 5.6%, respectively. The decrease in the proportion of distribution costs to total revenue was primarily attributable to our increased economies of scale. In the near term, we expect our distribution costs to increase to support our sales growth, but for the increase to be at a slower rate relative to our sales growth due to increased operating efficiency and enhanced economies of scale.

The following table sets out a breakdown of the major components of our distribution costs for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Marketing, sales and promotion expenses	18,776	29,386	33,674	16,032	15,685
Employee benefit expenses	2,265	3,771	7,304	3,125	4,301
General and administrative expenses	1,464	4,402	6,752	2,840	3,745
Others[(1)]	227	1,347	1,080	637	2,633
Total	**22,732**	**38,906**	**48,810**	**22,634**	**26,364**

Note:

(1) "Others" include sundry income and expenses.

Administrative expenses

Our administrative expenses primarily consist of research and development expenses, salaries and bonuses for our administrative, finance and human resources personnel, depreciation and amortisation of equipment and facilities used for administrative purposes, accounting and other professional fees, travelling expenses, office expenses and entertainment expenses.

Research and Development Expenses: Our research and development expenses include the cost of our internal research and development activities and the costs of research and development conducted by others on our behalf, such as through our third-party collaboration arrangements. Our research and development expenses under IFRS represented approximately 4.0%, 3.8%, 3.3% and 3.2% of our total revenue during 2007, 2008, 2009 and the six months ended 30 June 2010, respectively. For the six months ended 30 June 2010, our research and development expenses more

than doubled the amount spent in the same period in 2009. We place great emphasis on research and development. In the first half of 2008, we acquired a 60% interest in KBP BioSciences to strengthen our in-house research and development capabilities. For details of our research and development activities, see the section headed "Business — Research and Development" in this prospectus.

For 2007, 2008, 2009 and the six months ended 30 June 2010, our administrative expenses were RMB38.9 million, RMB53.4 million, RMB78.8 million and RMB52.4 million, respectively. Our administrative expenses increased primarily due to an increase in research and development expenses as a result of the development of product candidates, an increase in salaries and bonuses as a result of the increased headcount of our research and development personnel and an increase in professional fees as a result of the fees associated with the delisting of our Company from the Singapore Stock Exchange. Administrative expenses represented 13.6%, 10.5%, 11.1% and 11.1% of our total revenue during 2007, 2008, 2009 and the six months ended 30 June 2010, respectively. We expect administrative expenses to increase as we develop new product candidates, hire additional staff and incur additional costs related to the growth of our business.

The following table sets out a breakdown of the major components of our administrative expenses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Research and development	4,394	8,435	13,697	4,031	9,137
Salaries and bonus	10,280	18,877	26,594	13,712	17,820
General and administrative expenses	7,627	8,258	13,471	5,007	6,113
Depreciation and amortisation	2,822	7,799	10,473	4,332	3,872
Professional fees	7,989	4,134	4,217	1,203	4,599
Others [(1)]	5,744	5,902	10,357	6,991	10,879
Total	**38,856**	**53,405**	**78,809**	**35,276**	**52,420**

Note:

(1) "Others" include operating lease expenses and other administrative expenses.

Finance (costs)/income-net

Finance (costs)/income-net consist of currency translation loss, interest income and bank charges. Finance (costs)/income-net represented 0.9%, 0.1%, 0.8% and 0.6% of our total revenue during 2007, 2008, 2009 and the six months ended 30 June 2010, respectively.

The following table sets out a breakdown of the major components of our finance (costs)/income-net for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Currency translation loss	(3,622)	(3,706)	(493)	(1,053)	(1,039)
Interest income	1,271	4,259	6,236	1,287	4,157
Bank charges	(176)	(83)	(99)	(57)	(46)
Total	**(2,527)**	**470**	**5,644**	**177**	**3,072**

Share of profit of an associated company

On 15 May 2008, we acquired a 45.0% equity interest in Beijing Purenhong. Our investment in Beijing Purenhong contributed RMB10.4 million and RMB2.4 million to our profit after tax for 2008 and 2009, respectively. The decrease in contribution from 2008 to 2009 was due to the disposal of our interest in Beijing Purenhong in the first half of 2009, the proceeds of which are reflected in "Other gains/(losses)-net."

Income tax expense

Our effective tax rate for 2007, 2008, 2009 and the six months ended 30 June 2010 was 3.1%, 18.7%, 17.7% and 14.7%, respectively. Our income tax expense increased significantly from 2007 to 2008 due to changes in the corporate income tax rate in the PRC brought about by the PRC EIT Law (which took effect on 1 January 2008), which gradually increased the corporate income tax rate applicable to Hainan Sihuan from 15.0% to 25.0% over a five-year period starting from 2008. Under the PRC EIT Law and its implementation rules, enterprises that are "high and new technology enterprises strongly supported by the State" are entitled to a reduced corporate income tax rate of 15.0%. Hainan Sihuan and Beijing Sihuan were recognised as "high and new technology enterprises" and were entitled to a 15.0% corporate income tax rate in 2008 and 2009.

Our effective tax rate in 2007 was significantly lower due to the reversal of an overprovision of tax of RMB11.5 million after Hainan Sihuan obtained approval from the relevant tax authorities to a 50.0% reduction in tax rate for six years starting from 2005.

Non-controlling interests

Non-controlling interests represent the interests not held by us in the results and net assets of our subsidiaries, KBP Biosciences and Gao Duan Wei Ye. We characterise transactions with non-controlling interests as transactions with external parties. Disposals of non-controlling interests result in gains and losses and are recorded in our consolidated income statement. Acquisitions of non-controlling interests result in goodwill, being the difference between any consideration paid and

the relevant shares acquired of the carrying value of the net assets of the subsidiary. During 2007, 2008, 2009 and the six months ended 30 June 2010, our loss attributable to non-controlling interests amounted to RMB0.4 million, RMB3.6 million, RMB12.7 million and RMB7.4 million, respectively.

REVIEW OF HISTORICAL OPERATING RESULTS

Six months ended 30 June 2010 compared to six months ended 30 June 2009

Revenue

Our total revenue increased by 46.9% from RMB322.4 million for the six months ended 30 June 2009 to RMB473.4 million for the six months ended 30 June 2010. The increase was due to an increase in sales of both our cardio-cerebral vascular drugs and anti-infective drugs and other drugs.

Revenue from our sales of cardio-cerebral vascular drugs increased by 54.2% from RMB254.8 million for the six months ended 30 June 2009 to RMB393.0 million for the six months ended 30 June 2010. This increase was primarily due to (i) our increased market penetration through the establishment of new regional sales offices, including offices in Fujian and Xinjiang and (ii) our increased marketing activities such as organising and sponsoring seminars and conferences to promote the awareness and knowledge of our products. Revenue from our sales of cardio-cerebral vascular drugs was largely attributable to sales of Kelinao, which increased by 45.7% from RMB148.2 million for the six months ended 30 June 2009 to RMB215.9 million for the six months ended 30 June 2010, and sales of Anjieli, which increased by 60.1% from RMB35.6 million for the six months ended 30 June 2009 to RMB57.0 million for the six months ended 30 June 2010. Despite disruptions in supplies from our subcontracting manufacturers that temporarily limited our ability to fulfill our distributors' orders for certain of our products including Chuanqing and Qu'Ao, revenue from our sales of Chuanqing increased by 41.5% from RMB29.6 million for the six months ended 30 June 2009 to RMB41.8 million for the six months ended 30 June 2010. Revenue from sales of Qu'Ao increased by 25.5% from RMB19.4 million for the six months ended 30 June 2009 to RMB24.3 million for the six months ended 30 June 2010. This increase was primarily due to our increased marketing activities and partially as a result of the migration of patients to Qu'Ao (cerebroprotein hydrolysate in lyophilized powder) due to the restriction of liquid forms of cerebroprotein hydrolysate in the PRC. In addition, our newer products, Aogan and Qingtong, contributed almost 9.3% of our total revenue for the six months ended 30 June 2010 as compared to 3.8% for the six months ended 30 June 2009.

Revenue from our sales of anti-infective drugs and other drugs increased by 19.3% from RMB66.9 million for the six months ended 30 June 2009 to RMB79.8 million for the six months ended 30 June 2010. The increase in revenue from our sales of anti-infective drugs and other drugs was primarily due to an increase in revenue from our sales of Anjiejian by 59.4% from RMB7.2 million for the six months ended 30 June 2009 to RMB11.5 million for the six months ended 30 June 2010 and an increase in revenue from our sales of our naloxone hydrochloride line by 27.1% from RMB8.2 million for the six months ended 30 June 2009 to RMB10.4 million for the six months ended 30 June 2010. Revenue from our sales of Anjiejian and our Naloxone hydrochloride line increased primarily as a result of our increased marketing efforts and increased market penetration. In addition, the admission of Naloxone hydrochloride in the National List of Essential Drugs also contributed to the strong growth of this product line. The increase in revenue from our sales of anti-infective drugs and

other drugs was slightly offset by a decrease in revenue from our sales of our Kanglixin (which decreased by 21.3% from RMB4.7 million for the six months ended 30 June 2009 to RMB3.7 million for the six months ended 30 June 2010) and Aogan (which decreased by 17.5% from RMB4.0 million for the six months ended 30 June 2009 to RMB3.3 million for the six months ended 30 June 2010). The decrease in revenue from our sales of Kanglixin and Aolang was primarily due to a decrease in the selling prices of Kanglixin and Aolang due to increased competition.

Cost of sales

Cost of sales increased by 40.1% from RMB90.7 million for the six months ended 30 June 2009 to RMB127.1 million for the six months ended 30 June 2010. This increase was mostly in line with the increase in our revenue and was primarily due to the increased demand for our drugs, which resulted in increased sales of our products.

Gross profit

Our gross profit increased by 49.5% from RMB231.7 million for the six months ended 30 June 2009 to RMB346.4 million for the six months ended 30 June 2010. Our overall gross profit margin increased from 71.9% for the six months ended 30 June 2009 to 73.2% for the six months ended 30 June 2010, largely due to (i) an increased proportion in product mix of cardio-cerebral vascular drugs, which have a higher average gross profit margin compared to our anti-infective drugs and other drugs and (ii) an increase in the gross profit margin for our anti-infective drugs and other drugs.

Other gains/(losses)-net

Other gains/(losses)-net increased from a loss of RMB29.2 million for the six months ended 30 June 2009 to a gain of RMB19.4 million for the six months ended 30 June 2010. This gain was mainly due to the government grants received by our Group, which increased by 90.3% from RMB9.6 million for the six months ended 30 June 2009 to RMB18.2 million for the six months ended 30 June 2010. The loss for the six months ended 30 June 2009 was primarily because of the impairment of intangible assets of RMB80.3 million, which was offset by a gain of RMB38.2 million from disposal of an associated company. For the six months ended 30 June 2010, there was no impairment of intangible assets.

Distribution costs

Distribution costs increased by 16.5% from RMB22.6 million for the six months ended 30 June 2009 to RMB26.4 million for the six months ended 30 June 2010. This increase was mainly driven by an increase in our sales activity and related operational expenses. Distribution costs also increased due to an increase in the number of personnel and levels of salaries and benefits for our sales and marketing staff. The proportion of our distribution costs to our total revenue decreased from 7.0% for the six months ended 30 June 2009 to 5.6% for the six months ended 30 June 2010 primarily due to our increased operating efficiency and economies of scale.

Administrative expenses

Administrative expenses increased by 48.6% from RMB35.3 million for the six months ended 30 June 2009 to RMB52.4 million for the six months ended 30 June 2010. The increase was primarily due

to an increase in employee benefit expenses from RMB15.9 million for the six months ended 30 June 2009 to RMB22.6 million for the six months ended 30 June 2010, as a result of an increased number of personnel and an increase in salaries and benefits for our administrative, finance and human resources personnel. Our administrative expenses also increased due to higher research and development expenses (from RMB6.3 million for the six months ended 30 June 2009 to RMB9.1 million for the six months ended 30 June 2010). The expenses associated with the establishment of our regional sales offices and the expenses required to support and drive the larger scope of our operations also contributed to the increase in administrative expenses. Our administrative expenses also increased due to an increase in professional fees as a result of the fees associated with the delisting of our Company from the Singapore Stock Exchange.

Finance (costs)/income-net

Our finance income increased significantly from RMB0.2 million for the six months ended 30 June 2009 to RMB3.1 million for the six months ended 30 June 2010. This increase was mainly due to an increase of RMB2.9 million in interest income from our short-term bank deposits.

Share of profit of an associated company

The contribution of our associated company, Beijing Purenhong, decreased from RMB2.4 million for the six months ended 30 June 2009 to nil for the six months ended 30 June 2010 due to our disposal of Beijing Purenhong in the first half of 2009.

Profit before income tax

Our profit before income tax increased by 97.1% from RMB147.2 million for the six months ended 30 June 2009 to RMB290.1 million for the six months ended 30 June 2010. This increase was primarily due to the increase in revenue from our sales of cardio-cerebral vascular drugs and anti-infective drugs and other drugs.

Income tax expense

Our income tax expense increased by 17.5% from RMB36.3 million for the six months ended 30 June 2009 to RMB42.7 million for the six months ended 30 June 2010. This increase was at a much lower rate than the increase in our profit before tax. Our effective tax rates for the six months ended 30 June 2009 and for the six months ended 30 June 2010 were 24.7% and 14.7%, respectively. The significant decrease in effective tax rate was attributable to a decrease in withholding tax for the dividends declared by Hainan Sihuan to Sun Moral.

Profit for the period

As a result of the foregoing, our net profit increased by 123.2% from RMB110.8 million for the six months ended 30 June 2009 to RMB247.4 million for the six months ended 30 June 2010.

Profit attributable to equity holders of the Company

Our profit attributable to equity holders, or net profit, increased by 113.1% from RMB119.6 million for the six months ended 30 June 2009 to RMB254.8 million for the six months ended 30 June 2010.

Non-controlling interests

Loss attributable to non-controlling interests decreased by 15.1% from RMB8.8 million for the six months ended 30 June 2009 to RMB7.4 million for the six months ended 30 June 2010, resulting from a decrease in loss at KBP BioSciences.

Year ended 31 December 2009 compared to year ended 31 December 2008

Revenue

Our total revenue increased by 39.0% from RMB510.0 million in 2008 to RMB708.9 million in 2009. The increase was due to an increase in sales of both our cardio-cerebral vascular drugs and anti-infective drugs and other drugs.

Revenue from our sales of cardio-cerebral vascular drugs increased by 39.7% from RMB401.4 million in 2008 to RMB560.6 million in 2009. This increase was primarily due to (i) our increased marketing activities such as organising and sponsoring seminars and conferences to promote the awareness and knowledge of our products, (ii) actions taken as a result of the re-evaluation of our distributors based on their sales performance in order to optimise sales of each of our products and (iii) our increased market penetration through the establishment of new regional sales offices, including offices in Qingdao and Chongqing. Revenue from our sales of cardio-cerebral vascular drugs was largely attributable to sales of Kelinao, which increased by 27.8% from RMB258.8 million in 2008 to RMB330.9 million in 2009, and sales of Anjieli, which increased by 58.3% from RMB47.5 million in 2008 to RMB75.3 million in 2009. Despite disruptions in supplies from our subcontracting manufacturers that temporarily limited our ability to fulfill our distributors' orders for certain of our products including Chuanqing and Qu'Ao, revenue from our sales of Chuanqing increased by 27.2% from RMB49.6 million in 2008 to RMB63.1 million in 2009. Revenue from sales of Qu'Ao increased by 60.8% from RMB23.1 million in 2008 to RMB37.2 million in 2009. This increase was primarily due to our increased marketing activities and partially as a result of the migration of patients to Qu'Ao (cerebroprotein hydrolysate in lyophilized powder) due to the restriction of liquid forms of cerebroprotein hydrolysate in the PRC. In addition, our newer products, Aogan and Qingtong, contributed almost 5.0% of our total revenue in 2009 as compared to only 0.4% in 2008.

Revenue from our sales of anti-infective drugs and other drugs increased by 30.7% from RMB107.4 million in 2008 to RMB140.3 million in 2009. This increase was primarily due to a 57.2% increase in revenue at Shenzhen Sihuan, which is principally engaged in the sales of anti-infective drugs and other drugs. The increase in revenue from our sales of anti-infective drugs and other drugs was primarily due to an increase in revenue from our sales of Anjiejian by 281.1% from RMB4.2 million in 2008 to RMB16.1 million in 2009 and an increase in revenue from our sales of Bi' Ao by 105.8% from RMB16.3 million in 2008 to RMB33.6 million in 2009. Revenue from our sales of Anjiejian and Bi' Ao increased primarily as a result of our increased marketing efforts and increased market penetration. The increase in revenue from our sales of anti-infective drugs and other drugs was slightly offset by a decrease in revenue from our sales of our naloxone hydrochloride line (which decreased by 6.5% from RMB17.3 million in 2008 to RMB16.1 million in 2009). The decrease in

revenue from our sales of naloxone hydrochloride was primarily due to our shift in strategy to focus only on marketing and selling naloxone hydrochloride injection, the liquid injection form of naloxone hydrochloride, which is marketed under the brand Quxinao because it yields higher profit margins as compared to the lyophilised powder form of the product.

Cost of sales

Cost of sales increased by 43.7% from RMB133.6 million in 2008 to RMB191.9 million in 2009, outpacing the increase in our revenue for the same period. This increase was due to a rise in finished goods as a result of increased sales of our products, including an increase in the sales of anti-infective drugs and other drugs, which are manufactured by our subcontracting manufacturers. The increase in the cost of sales was also due to an increased proportion of products in our product mix that were manufactured by our subcontracting manufacturers (notwithstanding capacity constraints of such manufacturers); these products have higher average cost of sales compared to products manufactured in our own production facilities.

Gross profit

Our gross profit increased by 37.3% from RMB376.5 million in 2008 to RMB517.0 million in 2009. Our overall gross profit margin decreased slightly from 73.8% in 2008 to 72.9% in 2009, largely due to an increased proportion in our product mix of lower margin products, including our anti-infective drugs and other drugs, which are manufactured by our subcontracting manufacturers and therefore have higher average cost of sales compared to those manufactured in our production facilities. The primary reason for this increase in proportion was capacity constraint in our production facilities.

Other gains/(losses)-net

Other losses increased significantly by 104.0% from a loss of RMB8.0 million in 2008 to a loss of RMB16.3 million in 2009 mainly due to impairment of intangible assets of RMB80.3 million in 2009, primarily resulting from the impairment loss on capitalised development costs. This increase was partially offset by a gain of RMB38.2 million on the disposal of Beijing Purenhong.

Distribution costs

Distribution costs increased by 25.5% from RMB38.9 million in 2008 to RMB48.8 million in 2009. This increase was mainly driven by an increase in our sales activity and expenses incurred in the establishment of our regional sales offices, including offices in Qingdao and Chongqing and related operational expenses. Distribution costs also increased due to an increase in the number of personnel and levels of salaries and benefits for our sales and marketing staff. The proportion of our distribution costs to our total revenue decreased from 7.6% in 2008 to 6.9% in 2009 primarily due to our increased operating efficiency and economies of scale.

Administrative expenses

Administrative expenses increased by 47.6% from RMB53.4 million in 2008 to RMB78.8 million in 2009. This increase was primarily due to higher research and development expenses (from RMB8.4 million in 2008 to RMB13.7 million in 2009) due to the development of product candidates and an increase in salaries and benefits as a result of the increased headcount of our research and development personnel. Our administrative expenses also increased due to an increase in employee benefits expenses as a result of increased personnel and salaries and benefits for our administrative, finance and human resources personnel. The expenses associated with the establishment of our regional sales offices and the expenses required to support and drive the larger scope of our operations also contributed to the increase in administrative expenses.

Finance (costs)/income-net

Our finance income increased significantly from RMB0.5 million in 2008 to RMB5.6 million in 2009. This increase was mainly due to a significant decrease in currency translation loss in 2009 compared to 2008 (from RMB3.7 million in 2008 to RMB0.5 million in 2009), as a result of a more stable exchange rate of RMB, our functional currency, compared to the Singapore dollar in which part of our short-term bank deposits are denominated. The increase in finance income was also due to an increase of RMB2.0 million in interest income from our short-term bank deposits.

Share of profit of an associated company

The contribution of our associated company, Beijing Purenhong, decreased by 77.4% from RMB10.4 million in 2008 to RMB2.4 million in 2009. This decrease was due to our disposal of Beijing Purenhong in the first half of 2009.

Profit before income tax

Our profit before income tax increased by 32.7% from RMB287.1 million in 2008 to RMB381.0 million in 2009. This increase was primarily due to the increase in revenue from our sales of cardio-cerebral vascular drugs and anti-infective drugs and other drugs.

Income tax expense

Our income tax expense increased by 25.7% from RMB53.6 million in 2008 to RMB67.4 million in 2009. This increase was in line with the increase in our profit before income tax. Our effective tax rates in 2008 and 2009 were 18.7% and 17.7%, respectively. The decrease in effective tax rate was attributable to an increase in contribution by Hainan Sihuan, which benefited from a lower tax rate in 2008 and 2009 as a result of its status as a "high and new technology enterprise."

Profit for the year

As a result of the foregoing, our net profit increased by 34.4% from RMB233.4 million in 2008 to RMB313.7 million in 2009.

Profit attributable to equity holders of the Company

Our profit attributable to equity holders, or net profit, increased by 37.7% from RMB237.1 million in 2008 to RMB326.3 million in 2009.

Non-controlling interests

Loss attributable to non-controlling interests increased by 252.8% from RMB3.6 million in 2008 to RMB12.7 million in 2009, resulting from the increase in loss of KBP BioSciences and Langfang Sihuan.

Year ended 31 December 2008 compared to year ended 31 December 2007

Revenue

Our total revenue increased by 78.1% from RMB286.3 million in 2007 to RMB510.0 million in 2008. The increase in revenue was mainly due to an increase in sales of both our cardio-cerebral vascular drugs and anti-infective drugs and other drugs and a contribution of RMB113.0 million from our acquisition of Shenzhen Sihuan.

Revenue from our sales of cardio-cerebral vascular drugs increased by 70.4% from RMB235.6 million in 2007 to RMB401.4 million in 2008. This increase was primarily due to (i) our increased marketing activities such as organising and sponsoring seminars and conferences to promote the awareness and knowledge of our products and (ii) actions taken as a result of the re-evaluation of our distributors based on their sales performance in order to optimise sales of each of our products. For example, in 2008, we changed our distribution strategy for Anjieli by not renewing the distribution agreement with our exclusive distributor and distributing the product ourselves, which resulted in a significant increase in sales. Revenue from our sales of cardio-cerebral vascular drugs was largely attributable to sales of Kelinao, which increased by 45.8% from RMB177.5 million in 2007 to RMB258.8 million in 2008, and sales of Anjieli, which increased by 265.3% from RMB13.0 million in 2007 to RMB47.5 million in 2008. In addition, revenue from our sales of Chuanqing increased by 70.1% from RMB29.1 million in 2007 to RMB49.6 million in 2008 following our acquisition of Shenzhen Sihuan. This was primarily due to a 219.3% increase in revenue for sales of Chuanqing at Shenzhen Sihuan due to the recognition of revenue for the entire period of 2008 compared to one quarter in 2007. The increase in revenue from our sales of cardio-cerebral vascular drugs was also attributable to an increase in our sales of Qu'Ao, which increased by 404.8% from RMB4.6 million in 2007 to RMB23.1 million in 2008.

Revenue from our sales of anti-infective drugs and other drugs increased by 111.6% from RMB50.8 million in 2007 to RMB107.4 million in 2008. This increase was largely due to a 11.0% increase in revenue at Shenzhen Sihuan due to the recognition of revenue for the entire period of 2008 compared to two quarters in 2007.

Cost of sales

Cost of sales increased by 120.8% from RMB60.5 million in 2007 to RMB133.6 million in 2008, outpacing the increase in our revenue for the same period. This increase was due to a rise in finished goods as a result of increased sales of our products, including an increase in the sales of anti-infective drugs and other drugs, which are manufactured by our subcontracting manufacturers. These products have higher average cost of sales compared to products manufactured in our production facilities.

Gross profit

As a result of the foregoing, our gross profit increased by 66.7% from RMB225.8 million in 2007 to RMB376.5 million in 2008. Our overall gross profit margin decreased from 78.9% in 2007 to 73.8% in 2008. This decrease was largely due to the change in our product mix resulting from our acquisition of Shenzhen Sihuan, whose anti-infective drugs and other drugs command a lower average gross profit margin compared to cardio-cerebral vascular products mainly sold by Hainan Sihuan. Our gross profit margin was also negatively impacted by an increased proportion in our product mix of drugs manufactured by our subcontracting manufacturers, which command a lower average gross profit margin compared to products manufactured in our production facilities. The primary reason for this increase in proportion was capacity constraint in our production facilities. In addition, rising raw material and labour costs due to high inflation in the PRC negatively impacted our gross profit margin.

Other gains/(losses)-net

Other gains/(losses)-net decreased from a gain of RMB22.7 million in 2007 to a loss of RMB8.0 million in 2008. This was mainly due to the impairment of intangible assets of RMB22.8 million and a one-time donation to the earthquake victims in Sichuan province of RMB1.7 million, offset by an increase in government grants of RMB12.1 million and processing fee income of RMB3.1 million. The impairment of intangible assets of RMB22.8 million in 2008 was primarily due to the impairment loss on capitalised development costs.

Distribution costs

Distribution costs increased by 71.2% from RMB22.7 million in 2007 to RMB38.9 million in 2008. This increase was in line with our revenue growth and the expenses we incurred in our efforts to penetrate new market segments such as second tier cities and densely populated provinces, such as Zhejiang, Guangdong and Henan. Distribution costs also increased due to increased promotion activities such as academic trainings, conferences and other brand-building activities. Increased freight charges for the distribution of our products and increased travel expenses also contributed to the increase in distribution costs. In addition, distribution costs also increased as a result of our acquisition of Shenzhen Sihuan, which resulted in an increase in the number of personnel and levels of salaries and benefits for our sales and marketing staff. The percentage of our distribution costs to our total revenue decreased from 7.9% in 2007 to 7.6% in 2008 primarily due to our increased operating efficiency and economies of scale.

Administrative expenses

Administrative expenses increased by 37.4% from RMB38.9 million in 2007 to RMB53.4 million in 2008. This increase was primarily due to the acquisition of certain of our subsidiaries and the corresponding increase in expenses for our daily operations. The administrative expenses for Hainan Sihuan increased by RMB1.9 million due to an increase in the sales and marketing activities and an increase in the number of personnel. The administrative expenses for Beijing Sihuan also increased by RMB2.0 million due to an increase in research and development activities and an increase in the number of personnel. In addition, Shenzhen Sihuan, which we acquired in the third quarter of 2007, added RMB4.7 million in administrative expenses during 2008. KBP BioSciences, which we acquired in the first half of 2008, added RMB9.3 million in total administrative expenses, including RMB5.7 million in research and development expenses.

Finance (costs)/income-net

Our finance (costs)/income-net increased from costs of RMB2.5 million in 2007 to income of RMB0.5 million in 2008. This increase was mostly due to an increase in interest income from our short-term bank deposits in 2008 compared to 2007 (from RMB1.3 million in 2007 to RMB4.3 million in 2008). The increase in finance income was also due to a decrease in bank charges in 2008 compared to 2007 (from RMB0.2 million in 2007 to RMB0.1 million in 2008).

Share of profit of an associated company

Our associated company, Beijing Purenhong, in which we acquired a 45.0% equity interest on 15 May 2008, contributed profit of RMB10.4 million in 2008.

Profit before income tax

Our profit before income tax increased by 55.6% from RMB184.5 million in 2007 to RMB287.1 million in 2008. This increase was primarily due to the increase in revenue from our sales of cardio-cerebral vascular drugs and anti-infective drugs and other drugs.

Income tax expense

Our income tax expense increased from RMB5.6 million in 2007 to RMB53.6 million in 2008 due to (i) the higher tax income rate of 15.0% in accordance with the PRC EIT Law, which increased the preferential tax rate enjoyed by Hainan Sihuan from 7.5% in 2007 to 15% in 2008, and (ii) the accrual of a deferred tax of RMB6.7 million related to a withholding tax on the distributable profits of our subsidiaries. The lower tax rate in 2007 resulted from the reversal of an overprovision of tax of RMB11.5 million after Hainan Sihuan obtained approval from the relevant tax authorities to a 50.0% reduction in tax rate for six years starting from 2005. Our effective tax rates in 2007 and 2008 were 3.1% and 18.7%, respectively.

Profit for the year

As a result of the foregoing, our net profit increased by 30.5% from RMB178.8 million in 2007 to RMB233.4 million in 2008.

Profit attributable to equity holders of the Company

Our profit attributable to equity holders, or net profit, increased by 32.2% from RMB179.3 million in 2007 to RMB237.1 million in 2008.

Non-controlling interests

Loss attributable to non-controlling interests increased by 800.0% from RMB0.4 million in 2007 to RMB3.6 million in 2008, resulting from the increase in loss of KBP BioSciences.

LIQUIDITY AND CAPITAL RESOURCES

Overview

To date, we have financed our operations primarily through cash flow from operations. We had cash and cash equivalents of RMB262.4 million, RMB331.2 million, RMB612.9 million and RMB620.4 million as of 31 December 2007, 2008 and 2009 and as of 30 June 2010, respectively. We generally deposit our excess cash in interest bearing bank accounts and current accounts.

We had net current assets of RMB214.5 million, RMB314.8 million, RMB577.7 million and RMB800.3 million as of 31 December 2007, 2008 and 2009 and as of 30 June 2010, respectively.

During 2007, 2008, 2009 and the six months ended 30 June 2010, our principal uses of cash were for research and development expenses, operating expenses, capital expenditures, funding acquisitions and working capital requirements.

We expect that our future cash needs will primarily consist of capital expenditures and our operating expenses. We believe that cash generated from our operating activities and the net proceeds of the Global Offering will be sufficient to fund these cash needs for the next 12 months from the date of this prospectus.

As of the Latest Practicable Date, we had no indebtedness, mortgages or charges, did not issue any debt securities and did not utilise any bank facilities. In 2008, we paid the outstanding balance of RMB12.0 million of a loan extended to us by a third-party company to finance our operations. The borrowing was unsecured, interest-free and had no fixed repayment term.

Cash flow

Our business model, under which products are delivered upon the receipt of payments, has led to a stable cash inflow during 2007, 2008, 2009 and the six months ended 30 June 2010. Our net profit and net cash flows have increased in direct proportion to each other.

The following table sets forth certain information regarding our consolidated cash flows for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities.	182,565	256,819	385,648	171,334	183,984
Net cash (used in)/generated from investing activities	(155,731)	(115,365)	16,062	61,098	(2,526)
Net cash generated from/(used in) financing activities	193,758	(72,656)	(120,029)	(71,558)	(173,939)
Cash and cash equivalents at beginning of year	41,788	262,380	331,178	331,178	612,859
Cash and cash equivalents at end of year	262,380	331,178	612,859	492,052	620,378

Net cash generated from operating activities

We derive our net cash inflow from operating activities through the receipt of payments for the sale of our pharmaceutical products. Our net cash flow generated from operating activities reflects our profit before taxation, as adjusted for non-cash items, such as depreciation and impairment, and the effects of changes in working capital, such as increases or decreases in trade and other receivables, trade and other payables, and income tax payment. Cash flows from operating activities can be significantly affected by factors such as the timing of receipt of accounts receivables from customers and payments of accounts payables to suppliers during the regular course of business.

For the six months ended 30 June 2010, our net cash generated from operating activities was RMB184.0 million, consisting of cash generated from operations of RMB241.9 million, net of income tax paid of RMB57.9 million. Our cash generated from operations consisted of cash flow from operating activities before adjustments for changes in working capital of RMB302.7 million, net of negative adjustments for changes in working capital of RMB60.8 million. Net negative adjustments for changes in working capital primarily reflected an increase in inventories of RMB6.3 million due to an increase in sales, an increase in trade and other receivables of RMB27.3 million mainly due to the increase of prepayments to suppliers in order to secure future supply and a decrease in trade and other payables of RMB27.1 million, which was mainly due to a decrease in the amount of advances received from our distributors.

In 2009, our net cash generated from operating activities was RMB385.6 million, consisting of cash generated from operations of RMB438.9 million, net of income tax paid of RMB53.3 million. Our cash generated from operations consisted of cash flow from operating activities before adjustments for changes in working capital of RMB443.4 million and net negative adjustments for changes in working capital of RMB4.4 million. Net negative adjustments for changes in working capital primarily reflected an increase in inventories of RMB3.6 million, due to an increase in sales and an increase in trade and other receivables of RMB37.7 million, which was mainly due to the increase of prepayments to suppliers in order to secure future supply. These negative adjustments were partially offset by an increase in trade and other payables of RMB36.8 million resulting from a higher amount of advances received from our distributors.

In 2008, our net cash generated from operating activities was RMB256.8 million, consisting of cash generated from operations of RMB282.9 million, net of income tax paid of RMB26.0 million. Our cash generated from operations consisted of cash flow from operating activities before adjustments for changes in working capital of RMB323.1 million and net negative adjustments for changes in working capital of RMB40.2 million. Net negative adjustments for changes in working capital primarily reflected an increase in inventories of RMB16.4 million, due to our increase in sales and the consolidation of Shenzhen Sihuan's sales after our acquisition of Shenzhen Sihuan, and an increase in trade and other receivables of RMB40.1 million, which was mainly due to the increase of prepayments to suppliers in order to secure future supply. These negative adjustments were partially offset by an increase in trade and other payables of RMB16.3 million resulting from a higher amount of advances received from our distributors.

In 2007, our net cash generated from operating activities was RMB182.6 million, consisting of cash generated from operations of RMB193.7 million, net of income tax paid of RMB11.2 million. Our cash generated from operations consisted of cash flow from operating activities before adjustments for

changes in working capital of RMB185.5 million and net adjustments for positive changes in working capital of RMB8.2 million. Net adjustments for positive changes in working capital primarily reflected an increase in inventories of RMB9.5 million due to our increase in sales and an increase in trade and other receivables of RMB1.4 million, which was mainly due to the increase of prepayments for the acquisition of pharmaceutical patents. These positive adjustments were more than offset by an increase in trade and other payables of RMB19.2 million.

Net cash (used in)/generated from investing activities

During 2007, 2008, 2009 and the six months ended 30 June 2010, our cash inflow from investing activities primarily consisted of proceeds from the disposal of our associated company, Beijing Purenhong. Our cash used in investing activities primarily consisted of purchases of property, plant and equipment and intangible assets.

For the six months ended 30 June 2010, net cash used in investing activities was RMB2.5 million. Our cash outflow from investing activities primarily consisted of (i) RMB20.1 million for purchase of intangible assets such as patents and technology rights for certain of our new products and (ii) RMB18.6 million for the purchase of property, plant and equipment for our administrative offices, our existing and new production facilities and certain laboratory equipment used in our research and development centers. This was partially offset by the cash inflow from (i) the proceeds from the sale of our 45% equity interest in our associated company, Beijing Purenhong, in the amount of RMB32.0 million and (ii) RMB4.2 million in interest received from our short-term bank deposits.

In 2009, net cash generated from investing activities was RMB16.1 million. Our cash inflow from investing activities primarily consisted of proceeds from the sale of our 45.0% equity interest in our associated company, Beijing Purenhong, in the amount of RMB69.7 million, a capital contribution of RMB14.7 million by one of our non-controlling Shareholders in relation to the setting up of our subsidiary, Langfang Sihuan and RMB6.2 million in interest received from our short-term bank deposits. This was partially offset by our cash outflow, which primarily consisted of (i) RMB56.7 million for the purchase of property, plant and equipment for our administrative offices, our existing and new production facilities and certain laboratory equipment used in our research and development centers; (ii) RMB8.3 million for the purchase of intangible assets such as patents and technology rights for certain of our new products; (iii) RMB6.0 million out of the total net cash outflow of RMB48.3 million[(1)] for the acquisition of Shenzhen Sihuan; and (iv) RMB3.7 million for the purchase of land at Langfang to build our new production facility.

In 2008, net cash used in investing activities was RMB115.4 million. Our cash outflow from investing activities primarily consisted of (i) RMB39.8 million for our acquisition of our subsidiaries, which consisted of the following: (a) RMB31.9 million out of the total net cash outflow of RMB61.9 million[(2)] for our acquisition of KBP BioSciences, (b) RMB6.0 million out of the total net cash outflow of RMB48.3 million[(1)] for our acquisition of Shenzhen Sihuan and (c) RMB1.9 million, the total net cash outflow[(3)] for our acquisition of Hainan Ao He; (ii) RMB35.7 million in investment in Beijing Purenhong; (iii) RMB29.5 million for the purchase of property, plant and equipment for our

existing production facilities and certain laboratory equipment used in our research and development centers and (iv) RMB14.6 million for the purchase of intangible assets such as patents and technology rights for certain of our new products. This was partially offset by RMB4.3 million in interest received from our short-term bank deposits.

In 2007, net cash used in investing activities was RMB155.7 million. Our cash outflow from investing activities primarily consisted of (i) RMB55.9 million for the purchase of intangible assets such as patents and technology rights for certain of our new products; (ii) RMB45.0 million for the prepayment for acquisition of a subsidiary and an associated company, which consisted of (a) RMB30.0 million in prepaid consideration out of the total net cash outflow of RMB61.9 million[(2)] for the acquisition of our subsidiary, KBP BioSciences and (b) RMB15.0 million in prepaid consideration for the acquisition of our associated company, Beijing Purenhong; (iii) RMB36.3 million out of the total net cash outflow of RMB48.3 million[(1)] for our acquisition of Shenzhen Sihuan and (iv) RMB30.8 million for purchase of property, plant and equipment for our existing production facilities and certain laboratory equipment used in our research and development centers. This was partially offset by RMB37.9 million in proceeds from the sale of our equity investments.

Net cash generated from/(used in) financing activities

During 2007, 2008, 2009 and the six months ended 30 June 2010, our cash inflow from financing activities primarily consisted of proceeds from the issuance of our ordinary shares. Our cash outflow from financing activities primarily consisted of dividends paid to Shareholders and repayment of a third-party loan.

For the six months ended 30 June 2010, net cash used in financing activities was RMB173.9 million, as a result of RMB173.9 million in changes in amount due from a holding company, China Pharma.

In 2009, net cash used in financing activities was RMB120.0 million, as a result of RMB120.0 million in dividends paid to Shareholders.

In 2008, net cash used in financing activities was RMB72.7 million, as a result of RMB60.7 million in dividends paid to Shareholders and RMB12.0 million in the repayment of a third-party loan.

In 2007, net cash generated from financing activities was RMB193.8 million, as a result of RMB197.8 million in proceeds from the issuance of ordinary shares, partially offset by RMB4.0 million in the repayment of a third-party loan.

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(1) Total net cash outflow of RMB48.3 million is equal to the total consideration of RMB60.0 million for the acquisition of Shenzhen Sihuan less RMB11.7 million of cash held by Shenzhen Sihuan at the time of the acquisition.

(2) Total net cash outflow of RMB61.9 million is equal to the total consideration of RMB62.5 million for the acquisition of KBP BioSciences less RMB0.6 million of cash held by KBP BioSciences at the time of the acquisition.

(3) Total net cash outflow of RMB1.9 million is equal to the total consideration of RMB3.8 million for the acquisition of Hainan Ao He less RMB1.9 million of cash held by Hainan Ao He at the time of the acquisition.

Capital expenditures

We had capital expenditures of RMB86.8 million, RMB44.1 million, RMB68.7 million and RMB38.7 million for 2007, 2008, 2009, and the six months ended 30 June 2010, respectively. Our capital expenditures consisted primarily of the purchase of property, plant and equipment, land use rights and intangible assets. We financed our capital expenditures primarily through our cash flows from operations.

The following table sets forth our capital expenditures for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	30,839	29,452	56,677	18,580
Purchase of intangible assets	55,927	14,624	8,295	20,122
Land use rights	—	—	3,738	—
Total	**86,766**	**44,076**	**68,710**	**38,702**

Net current assets position

As of 31 December 2007, 2008 and 2009, our net current assets were RMB214.5 million, RMB314.8 million and RMB577.7 million. As of 30 June 2010, our net current assets were RMB800.3 million.

The following table sets forth our current assets and liabilities as of the balance sheet dates indicated:

	As of 31 December			As of 30 June	As of 31 August
	2007	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000	(unaudited) RMB'000
Current assets					
Inventories	22,953	39,395	42,967	49,298	46,157
Trade and other receivables	24,714	71,424	141,132	310,519	360,849
Cash and cash equivalents	262,380	331,178	612,859	620,378	671,435
Total current assets	**310,047**	**441,997**	**796,958**	**980,195**	**1,078,441**
Current liabilities					
Trade and other payables	68,826	89,551	120,391	94,261	116,509
Current income tax liabilities	14,693	37,643	98,869	85,663	74,835
Borrowings	12,000	—	—	—	—
Total current liabilities	**95,519**	**127,194**	**219,260**	**179,924**	**191,344**
Net current assets	**214,528**	**314,803**	**577,698**	**800,271**	**887,097**

CERTAIN BALANCE SHEET ITEMS

Intangible assets

Our intangible assets mainly consist of goodwill, customer relationships, deferred development costs and product development in progress.

Our goodwill arose from the acquisition of our subsidiaries. We made and wrote-off goodwill of RMB35.0 million in 2009 as a result of the acquisition of KBP BioSciences and its subsequent discontinuation of certain R&D projects due to certain unexpected technical difficulties and other commercial reasons, which resulted in an impairment of goodwill.

The deferred development costs and product development in progress mainly represents the acquisition of certain pharmaceutical R&D projects acquired from external research institutions. For the purpose of those acquisitions, our management examined the technical feasibility of completing the remaining phases of those products and estimated that there would be probable future economic benefits to our Group from those products. Accordingly, our management recognised these costs as deferred development costs and product development in progress under intangible assets. The sum of deferred development costs and product development in progress was RMB55.9 million, RMB14.4 million, RMB7.3 million and RMB19.9 million as of 31 December 2007, 2008 and 2009 and as of 30 June 2010, respectively. We treat product development costs as impaired when either the application of pharmaceutical properties is rejected by the SFDA or the respective development cost is expected to be higher than the recoverable amount of those finished products. In addition, we will write-off product development costs if we encounter significant technical difficulties during the process of development, which we expect will hamper completion of the project. The impairment and write-off of deferred development costs and product development in progress is RMB1.0 million, RMB24.3 million, RMB45.1 million and nil as of 31 December 2007, 2008, 2009 and as of 30 June 2010, respectively.

Property, plant and equipment

Our property, plant and equipment consists of buildings, production and electronic equipment, motor vehicles and construction in progress. During 2007, 2008, 2009 and the six months ended 30 June 2010, as part of our expansion plans to increase our production capacity and increase our research and development capabilities, we purchased property, plant and equipment for our administrative offices and for our existing and new production facilities. We also purchased certain laboratory equipment used in our research and development centers. In addition, we purchased additions to property, plant and equipment of RMB30.8 million, RMB29.5 million, RMB56.7 million and RMB18.6 million for 2007, 2008, 2009 and the six months ended 30 June 2010, respectively.

Associated company

Beijing Purenhong contributed nil, RMB10.4 million and RMB2.4 million to our profit before tax for 2007, 2008 and 2009, respectively. We disposed of our interest in Beijing Purenhong in the first half of 2009.

Trade and other receivables

Our trade receivables consist of credit sales of our products to be paid by our distributors. Our other receivables consist of prepayments to suppliers, deposits and other receivables, and the amount receivable from the disposal of Beijing Purenhong. We had trade and other receivables of RMB24.7 million, RMB71.4 million, RMB141.1 million and RMB310.5 million as of 31 December 2007, 2008, 2009 and as of 30 June 2010.

The following table sets forth a breakdown of our trade and other receivables as of the dates indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables-third parties	3,119	4,228	2,542	2,989
Less: provision for impairment of trade receivables[1]	(138)	(138)	(138)	(138)
Trade receivables-net	2,981	4,090	2,404	2,851
Prepayments to suppliers[2]	6,289	27,202	63,878	87,001
Deposits and other receivables[3]	15,444	40,132	42,850	46,728
Amount due from holding company[4]	—	—	—	173,939
Amount receivables from disposal of an associated company	—	—	32,000	—
Total	**24,714**	**71,424**	**141,132**	**310,519**

Notes:

(1) We had no significant additional provision for impairment of trade receivables for 2007, 2008, 2009 and the six months ended 30 June 2010.

(2) Prepayments to suppliers include advance payments for finished goods to suppliers, advance payments to suppliers as guarantees as well as prepayments for the purchase of equipment.

(3) Deposits and other receivables include deposits to our external research partners for research and development activities.

(4) Amount due from a holding company represents the amount due from China Pharma in relation to a fund transfer by our Group to China Pharma for a proposed dividend distribution plan. This amount will be settled by way of set-off arrangements involving dividend distributions from Sun Moral to the Company and from the Company to China Pharma (which will direct that such payment be made to Sun Moral) prior to Listing. After the above described set-off arrangements, the amount outstanding from China Pharma to our Group would be fully settled.

Our sales are generally made on a purchase order basis, rather than under a commitment basis. However, under special circumstances, we grant a credit period of approximately 30 days to some of our distributors with whom we have long-term relationships. We have policies in place to ensure that certain cash advances have been received upon the agreement of the related sales orders with customers. We assess the credit quality of the counterparties by taking into account their financial position, credit history and other factors. We also undertake certain monitoring procedures to ensure that proper follow-up action is taken to recover overdue debts. We regularly perform ageing analysis, assess credit risks and estimate the recoverability of groups of trade receivables bearing similar credit risk based on historical data and cash collection history.

Our management closely monitors the recoverability of our overdue trade receivables on a regular basis and when appropriate, provides for impairment of these trade receivables. We recognise provisions for impairment of trade receivables as administrative expenses in our statement of comprehensive income. As of 31 December 2007, 2008 and 2009 and as of 30 June 2010, we had a provision for impairment of trade receivables of RMB0.1 million, RMB0.1 million, RMB0.1 million and RMB0.1 million, respectively, which accounted for 4.4%, 3.3%, 5.4% and 4.6%, respectively, of our total trade receivables. We had no significant additional provision for impairment of trade receivables for 2007, 2008, 2009 and the six months ended 30 June 2010.

Our trade and other receivables increased during 2007, 2008, 2009 and the six months ended 30 June 2010 primarily due to increases in prepayments to suppliers, increases in deposits and other receivables and a receivable from the disposal of Beijing Purenhong. In order to secure a stable supply of raw materials, we increased our prepayments to suppliers from RMB6.3 million as of 31 December 2007, to RMB27.2 million as of 31 December 2008, to RMB63.9 million as of 31 December 2009 and RMB87.0 million as of 30 June 2010. The increase in prepayments to suppliers in 2008 and 2009 was due to sales of Anjiejian starting in 2008 and the launch of Qingtong and other drugs such as Luoanming in 2009, all of which are manufactured by our third-party pharmaceutical manufacturers under nationwide distribution agreements. Under these agreements, we are required to prepay such suppliers for the manufacturing of such products. This resulted in an increase in advance payments for finished goods to our third-party pharmaceutical manufacturers. Our deposits and other receivables increased from RMB15.4 million as of 31 December 2007, to RMB40.1 million as of 31 December 2008, to RMB42.9 million as of 31 December 2009 and to RMB46.7 million as of 30 June 2010 due to an increase in deposits to our external research partners for research and development activities, mainly as a result of our increased collaboration with external partners to develop and market new pharmaceutical products in the PRC. The increase in trade and other receivables in 2009 was also due to RMB32.0 million receivable from the disposal of our interest in Beijing Purenhong.

Inventories

Our inventories consist of raw materials, work in progress and finished goods. The following table sets forth our inventory balances as of the dates indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Raw materials	8,267	7,761	17,876	13,851
Work in progress	936	1,100	4,235	3,787
Finished goods	13,750	30,534	20,856	31,660
Total	**22,953**	**39,395**	**42,967**	**49,298**

We had inventories of RMB23.0 million, RMB39.4 million, RMB43.0 million and RMB49.3 million as of 31 December 2007, 2008 and 2009 and as of 30 June 2010, respectively. Our finished goods increased from RMB13.8 million as of 31 December 2007 to RMB30.5 million as of 31 December 2008 due to an increased proportion of products in our product mix that were manufactured by our subcontracting manufactures. Our finished goods decreased from RMB30.5 million as of 31 December 2008 to RMB20.9 million as of 31 December 2009 due to capacity constraints experienced by certain of our subcontracting manufactures. Our finished goods increased from RMB20.9 million as of 31 December 2009 to RMB31.7 million as of 30 June 2010 due to an increase in the amount of purchase orders to sell our products in the second half of 2010 as compared to the first half of 2010. Our raw materials increased from RMB7.8 million as of 31 December 2008 to RMB17.9 million as of December 2009 to meet our production needs given the increase in sales. Our raw materials decreased from RMB17.9 million as of 31 December 2009 to RMB13.9 million as of 30 June 2010 due to us having sufficient finished goods on hand and fewer purchases by our Group of raw materials in May 2010.

We actively monitor our inventory levels and seek to maintain a low level of inventory of raw materials, work in progress and finished goods. We have sufficient storage area to meet increases in supplies of inventory. Inventories are stated at cost, which is calculated using the weighted average method, or net realisable value, whichever is lower. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. We make provisions for impairment of inventories when the carrying value of inventories declines below the net realisable value. We review the carrying value of our inventories from time to time and make write-down charges or write-back based on conditions of goods and estimated net realisable value of our inventories, which are recorded under administrative expenses. For 2007, 2008, 2009 and the six months ended 30 June 2010, we had no impairment of inventories.

We conduct monthly assessments of our inventory requirements. In general, we manufacture our products and purchase our raw materials and packaging materials according to confirmed purchase orders as well as projected sales, which are determined by our management after taking into account the previous month's sales orders, current inventory level and the sales department sales forecast for the next one to two months.

Trade and other payables

Our trade and other payables primarily consist of trade payables, advances from customers, other payables, accrued expenses and amounts due to directors. Our trade and other payables were RMB68.8 million, RMB89.6 million, RMB120.4 million and RMB94.3 million as of 31 December 2007, 2008, 2009 and as of 30 June 2010. The following table sets forth our trade and other payables for the periods indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables[(1)]	8,859	4,187	12,675	8,526
Accrued expenses	2,250	2,938	1,370	33
Advances from customers[(2)]	13,671	20,804	49,535	18,847
Value added tax payable	3,959	7,157	8,652	18,635
Amount payable for the acquisition of Shenzhen Sihuan	12,000	6,000	—	—
Accrued performance bonus to directors[(3)]	3,690	7,044	12,000	20,950
Amount due to a director[(4)]	—	2,354	—	—
Other payables[(5)]	24,397	39,067	36,159	27,270
Total	**68,826**	**89,551**	**120,391**	**94,261**

Notes:

(1) Our trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from our raw material suppliers, our subcontracting suppliers and the manufacturers from whom we purchase products that we distribute.

(2) Advances from customers are advances by our distributors for purchases of our products.

(3) As at 30 June 2010, the outstanding amount of accrued performance bonuses due to directors was RMB21.0 million. Out of this amount RMB12.0 million, representing the amount accrued as at 31 December 2009, will be paid prior to Listing. The remaining amount of approximately RMB9.0 million will be paid in the second quarter of 2011 after the issuance of the Auditor's Report for the respective periods.

(4) Amount due to a director consists of a personal advance given to us by one of our former directors, Mr. Huang Zhenhua. This advance was interest-free and had no fixed repayment term. Since Mr. Huang Zhenhua resigned as a director of the Company in 2009, the amount due to Mr. Huang Zhenhua was reclassified as other payables in 2009.

(5) Other payables primarily include deposits from customers to secure supplies, payables to our external research partners for research and development activities and personal advances given to Shenzhen Sihuan by its former directors before we acquired it in 2007.

Our raw material suppliers generally extend credit terms ranging between one and two months to us. The credit period extended by our suppliers varies from supplier to supplier depending our relationship with the particular supplier and the volume and prices of our purchases.

Our trade payables decreased from RMB8.9 million as at 31 December 2007 to RMB4.2 million as at 31 December 2008 mainly due to timely payments of trade payables by our Group. Our trade

payables increased from RMB4.2 million as at 31 December 2008 to RMB12.7 million as at 31 December 2009 due to an increase in the purchase of raw materials by Beijing Sihuan. Our trade payables decreased from RMB12.7 million as at 31 December 2009 to RMB8.5 million as at 30 June 2010 due to fewer purchases by our Group of goods and services acquired in the ordinary course of business during this period.

Advances from customers increased from RMB13.7 million as of 31 December 2007 to RMB20.8 million as of 31 December 2008 and to RMB49.5 million as of 31 December 2009 due to an increase in sales as well as an increase in our distributors advancing payment for our products in order to secure supply. Advances from customers decreased from RMB49.5 million as of 31 December 2009 to RMB18.9 million as of 30 June 2010 mainly due our timely delivery of goods to our customers which settled such advances.

Turnover days of trade receivables, inventories and trade payables

The following table sets forth the turnover days of our trade receivables, inventories and trade payables as of the dates indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
Turnover days of trade receivables[(1)]	7	3	2	1
Turnover days of inventories[(2)]	90	84	77	65
Turnover days of trade payables[(3)]	33	18	16	15

Notes:

(1) Turnover days of trade receivables for a period is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables by turnover during the relevant period and then multiplying the quotient by 360 days.

(2) Turnover days of inventories for a period is derived by dividing the arithmetic mean of the opening and closing balances of inventory by cost of sales during the relevant period and then multiplying the quotient by 360 days.

(3) Turnover days of trade payables for a period is derived by dividing the arithmetic mean of the opening and closing balances of trade payables by cost of sales during the relevant period and then multiplying the quotient by 360 days.

Our turnover days of trade receivables were seven days as of 31 December 2007, three days as of 31 December 2008 and two days as of 31 December 2009. Our turnover day of trade receivables was one day as of 30 June 2010. The decrease in turnover days of trade receivables was due to increasingly stringent adherence to our policy that distributors make cash or cash equivalent payments before we deliver our products.

Our turnover days of inventories were 90 days as of 31 December 2007, 84 days as of 31 December 2008 and 77 days as of 31 December 2009. Our turnover days of inventories were 65 days as of 30 June 2010. The decrease in turnover days of inventories was primarily a result of increased volume of sales and more efficient inventory management, which resulted in faster turnover of our products and shorter inventory times.

Our turnover days of trade payables were 33 days as of 31 December 2007, 18 days as of 31 December 2008 and 16 days as of 31 December 2009. Our turnover days of trade payables were 15 days as of 30 June 2010. The decrease in turnover days of trade payables was due to timely payments of trade payables.

CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

The following table sets forth our contractual obligations as of 31 December 2009:

	Payment Due by Period				
	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
			RMB'000		
Operating lease commitments[(1)]	1,436	659	271	506	—
Research and development projects[(2)]	23,089	—	23,089	—	—
Capital commitment for property, plant and equipment[(3)]	2,739	2,739	—	—	—
Total	**27,264**	**3,398**	**23,360**	**506**	**—**

Notes:

(1) Includes lease obligations for our warehouses and our staff housing in Shenzhen and Shandong.

(2) Represents commitments under our collaboration agreements with external research institutions, universities and hospitals to jointly carry out research and development of new pharmaceutical products as well as to enhance our own research and development capabilities. Under these agreements, we agree to provide research grants to our research partners provided that certain milestones such as reaching clinical trial phase are met.

(3) Represents capital commitments for property, plant and equipment incurred in connection with the construction of our new production facility in Langfang, Hebei, which is expected to commence production in the first half of 2011.

Except as disclosed above, as of the Last Practicable Date, we did not have any material contingent liabilities or guarantees.

OFF-BALANCE SHEET ARRANGEMENTS

Except for the contingent liabilities disclosed, we have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to various types of market risks, including credit risk and foreign exchange risk, in the normal course of our business.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in our financial loss. We have no significant concentration of credit risk. Credit risk arises mainly from cash and cash equivalents and trade and other receivables. The carrying amounts of cash equivalents, short-term bank deposits and trade and other receivables, represent our maximum exposure to credit risk in relation to our financial assets.

With respect to cash and cash equivalents, we manage the credit risk of cash in the PRC by placing our bank deposits in large PRC state-controlled banks without significant credit risk. We manage the credit risk of cash outside the PRC by placing our bank deposits with financial institutions with high credit quality.

With respect to trade and other receivables, we have policies in place to ensure that certain cash advances have been received upon the agreement of the related sales orders with customers. We assess the credit quality of the counterparties by taking into account their financial position, credit history and other factors. We also undertake certain monitoring procedures to ensure that proper follow-up action is taken to recover overdue debts. We regularly perform ageing analysis, assess credit risks and estimate the recoverability of groups of trade receivables bearing similar credit risk based on historical data and cash collection history.

No other financial assets bear a significant exposure to credit risk.

Foreign exchange risk

All of our revenue is derived from operations in the PRC and our functional currency is RMB. Our financial instruments are mainly denominated in RMB. We do not have significant cash and cash equivalents denominated in foreign currency and do not have significant exposure to currency risk. However, the conversion of RMB into foreign currencies for the purpose of dividend payments is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

WORKING CAPITAL

Taking into account the estimated net proceeds from the Global Offering and cash flow from our operations, we confirm that we have sufficient working capital for our present requirements and for the 12 months from the date of this prospectus.

PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interests as of 31 July 2010 in the PRC. The texts of its letter, summary of values and valuation certificates are set out in Appendix IV to this prospectus. A reconciliation of the net book value of property interests as at 30 June 2010 to their fair value as stated in Appendix IV to this prospectus is as follows:

	RMB'000
Net book value at 30 June 2010[(1)]	150,619
Net book value not subject to valuation	(72,416)
	78,203
Movements during the one month ended 31 July 2010	
— Additions	—
— Depreciation	(66)
— Disposals	—
Net book value at 31 July 2010	78,137
Valuation surplus at 31 July 2010	12,029
Valuation amount at 31 July 2010	90,166

Note:

(1) Net book value represents the sum of the closing net book amount of buildings, construction in progress and land use rights as stated in the Accountant's Report set out in Appendix I to this prospectus.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2010

The profit forecast in the following table is prepared by our Directors based on the basis and assumptions as set out in Appendix III of this prospectus:

Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010	not less than RMB500 million
Forecast earnings per Share for the year ending 31 December 2010 on a fully diluted basis	not less than RMB0.10

DIVIDEND POLICY

We declared dividends of RMB nil, RMB60.7 million and RMB120.0 million for 2007, 2008 and 2009, respectively. All of these dividends have been paid. Our Directors may declare dividends after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on IFRS, our Memorandum of Association and Bye-Laws, the Bermuda Companies Act, applicable laws and regulations and other factors that our Directors deem relevant.

DISTRIBUTABLE RESERVES

As of 31 December 2009, our reserves available for distribution to our equity holders amounted to RMB545.7 million.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this prospectus, we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted net tangible assets which has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if the Global Offering had taken place on 30 June 2010 and based on our net tangible assets attributable to the equity holders of our Company as of and adjusted as described below:

	Audited consolidated net tangible assets attributable to equity holders of our Company as of 30 June 2010[(1)]	**Estimated net proceeds from the Global Offering[(2)]**	**Unaudited pro forma adjusted net tangible assets[(3)(4)]**	**Unaudited pro forma adjusted net tangible assets per Share[(5)]**	
	(RMB in millions)			**(RMB)**	**(HK$)**
Based on Offer Price of HK$3.88 per Share	1,011.5	3,995.8	5,007.3	1.00	1.16
Based on Offer Price of HK$4.60 per Share	1,011.5	4,743.5	5,755.0	1.15	1.34

Notes:

(1) The audited consolidated net tangible assets attributable to equity holders of our Company as at 30 June 2010 is extracted from the accountant's report of our Company as set out in Appendix I to this prospectus which is based on the audited consolidated net assets of our Company attributable to our equity holders as at 30 June 2010 of approximately RMB1,162.3 million with an adjustment for the intangible assets as at 30 June 2010 of approximately RMB150.8 million.

(2) The estimated net proceeds from the Global Offering are based on hypothetical Offer Prices of HK$3.88 and HK$4.60, respectively, per Offer Share assuming no exercise of the Over-Allotment Option, after deduction of underwriting fees and estimated expenses payable by us in connection with the Global Offering. If the Over-Allotment Option is exercised, the unaudited pro forma adjusted net tangible assets attributable to our equity holders and unaudited pro forma adjusted net tangible assets per Share will increase. The estimated net proceeds are converted into Renminbi at the exchange rate of HK$1.00 to RMB0.8617 prevailing on 8 October 2010.

(3) As at 31 July 2010, our Group's property interests were revalued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, and the related property valuation report is set out in Appendix IV to this prospectus. The net revaluation surplus, representing the excess of market value of the property interests over their book value is approximately RMB12.0 million. Such net revaluation surplus has not been included in our Group's consolidated financial information as at 30 June 2010. It is our Group's accounting policy to state its property, plant and equipment

and land use rights at cost less accumulated depreciation or accumulated amortisation and any impairment losses rather than at revalued amounts. The above adjustment does not take into account the above revaluation surplus or the related additional depreciation or amortisation. Had the property interests been stated at such valuation, an additional depreciation and amortisation of approximately RMB780,000 and RMB9,000 respectively per annum would be charged against the consolidated statement of comprehensive income.

(4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 30 June 2010.

(5) The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 5,000,000,000 Shares are issued and outstanding assuming the Global Offering and the Capitalisation Issue had been completed on 30 June 2010, and that the Over-Allotment Option has not been exercised. The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at the exchange rate of HK$1.00 to RMB0.8617 prevailing on 8 October 2010.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

As of the date of this prospectus, our Directors confirm that there has been no material adverse change in the financial or trading positions or prospects of our Company since 31 December 2009, the date of the latest audited financial statements of our Company.

Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2009, and there is no event since 31 December 2009 which would materially affect the information shown in the accountant's report, the text of which is set out in Appendix I to this prospectus.

FUTURE PLANS

Our goal is to consolidate our position as the leading cardio-cerebral vascular drug franchise in the PRC and to continue to grow our sales in other targeted high growth therapeutic areas.

To achieve this, we plan to continue to strengthen our cardio-cerebral vascular drug business and expand our product portfolio with complementary products in new target therapeutic areas. In addition, we plan to further strengthen our research and development capability to develop product candidates that have high commercial potential and low development risks. Furthermore, we plan to expand our sales and marketing network and build additional production capacity and capability. For details of our strategies, see the section headed "Business — Our Strategies" in this prospectus.

USE OF PROCEEDS

The net proceeds from the Global Offering available to us (after deduction of underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering, assuming the Over-Allotment Option is not exercised) are approximately HK$5,071.0 million, assuming an Offer Price of HK$4.24, being the mid-point of the indicative range of the Offer Price of HK$3.88 to HK$4.60 per Share (or if the Over-Allotment Option is exercised in full, approximately HK$5,837.5 million, assuming an Offer Price of HK$4.24, being the mid-point of the indicative range of the Offer Price of HK$3.88 to HK$4.60 per Share).

We plan to use our net proceeds from the Global Offering as follows:

- Approximately 20% of the net proceeds, or approximately HK$1,014.2 million for research and development:

  — of which, 10% of the net proceeds, or approximately HK$507.1 million will be used to fund our product development and research in order to develop new products in our targeted therapeutic areas of anti-infective, metabolism, cardiovascular system, oncology and nervous system. In identifying these targeted therapeutic areas, we will seek to address market segments where medical demands have not been satisfactorily fulfilled in the PRC and where we believe we are well-positioned to realise commercialisation; and

  — the remaining 10% of the net proceeds, or approximately HK$507.1 million will be used for the development of our existing product candidates (including but not limited to nalmefene hydrochloride, fasudil hydrochloride injection, levetiracetam injection, levophencynonate hydrochloride and other existing product candidates).

- Approximately 15% of the net proceeds, or approximately HK$760.6 million, for acquisition of specific products or product lines to complement and expand our existing product portfolio;

- Approximately 15% of the net proceeds, or approximately HK$760.6 million, for funding the capital expenditures required for the construction of our two new production facilities located in Langfang and Beijing;

- Approximately 30% of the net proceeds, or approximately HK$1,521.4 million, for merger and acquisition opportunities if we identify suitable target companies or businesses for such activities;

- Approximately 10% of the net proceeds, or approximately HK$507.1 million, for enhancement of our sales and distribution efforts, of which approximately HK$177.5 million will be used for hiring additional marketing and sales personnel and establishing additional regional offices, HK$202.8 million will be used to expand our distribution network and HK$126.8 million will be used to organise and sponsor medical seminars and conferences and other promotional activities; and

- Approximately 10% of the net proceeds, or approximately HK$507.1 million, will be used for working capital and general corporate purposes, particularly for the increased cash flow need resulting from the change to our business model. See the section headed "Financial Information — Principal Income Statement Items" in this prospectus.

To the extent that the proceeds from the Global Offering are not immediately applied for this purpose, we intend to place the proceeds, insofar as permitted by applicable laws and regulations, as short-term interest-bearing deposits in bank accounts with authorised financial institutions or licensed banks in Hong Kong. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

In the event that the Offer Price is finally determined at the high-end of the indicative offer price range, the estimated net proceeds we will receive from the Global Offering will be approximately HK$5,504.8 million (assuming the Over-Allotment Option is not exercised), or approximately HK$6,336.4 million (assuming the Over-Allotment Option is exercised in full). In such case our Directors intend to apply the additional net proceeds in the same proportions as set out above. In the event that the Offer Price is finally determined at the low-end of the indicative offer price range, the estimated net proceeds we will receive from the Global Offering will be approximately HK$4,637.1 million (assuming the Over-Allotment Option is not exercised), or approximately HK$5,338.5 million (assuming the Over-Allotment Option is exercised in full). In such case our Directors intend to apply the reduced net proceeds in the same proportions as set out above and we will finance such shortfall through internal cash resources and/or additional bank borrowings, as and when appropriate.

In addition, as of 30 June 2010, we had cash and cash equivalents of RMB620.4 million, representing 45.5% of our total assets. We believe that the liquidity in our asset base positions us well to take advantage of opportunities as they arise.

HONG KONG UNDERWRITERS

Joint Global Coordinators, Joint Bookrunners and Joint Sponsors

Morgan Stanley Asia Limited
UBS AG, Hong Kong Branch

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

We are offering the Hong Kong Offer Shares for subscription on, and subject to, the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be offered pursuant to the Global Offering as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to purchase or procure purchasers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to be conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice (orally or in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(A) there shall develop, occur, exist or come into effect:

(i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak or escalation of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism); or

(ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military,

industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) , in or affecting Hong Kong, the PRC, Bermuda, the United States, the United Kingdom, the European Union, Japan, Canada or any other jurisdiction relevant to any member of the Group; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the European Union, Japan or any other jurisdiction relevant to any member of the Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or

(v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent Authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union, Japan or any other jurisdiction relevant to any member of the Group; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union (or any member thereof) on the PRC or any other jurisdiction relevant to any member of the Group; or

(vii) a change or development involving a prospective change in Taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) or the implementation of any exchange control in Hong Kong, the PRC, the United States, the United Kingdom, the European Union, Japan or any other jurisdiction relevant to any member of the Group; or

(viii) any litigation or claim of any third party being threatened or instigated against any member of the Group; or

(ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(x) the chairman or chief executive officer of our Company vacating his or her office; or

(xi) an Authority or a political body or organization in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xii) a contravention by any member of the Group of the Listing Rules or applicable laws; or

(xiii) a prohibition on our Company for whatever reason from issuing, allotting or selling the Shares (including the Option Shares) pursuant to the terms of the Global Offering; or

(xiv) non-compliance of the Hong Kong Prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

(xv) the issue or requirement to issue by our Company of any supplement or amendment to the Hong Kong Prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvi) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (a) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (b) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (c) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (d) has or will or may have the effect of making any part of this Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(B) there has come to the notice of the Joint Global Coordinators:

(i) that any statement contained in any of the Hong Kong Public Offering Documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material

respect, or that any forecast, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Hong Kong Prospectus, constitute a material omission from any of the Hong Kong Public Offering Documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any breach of any of the obligations imposed upon any party to this Agreement or the International Purchase Agreement (other than upon any of the Hong Kong Underwriters or the International Purchasers); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to Clause 12; or

(v) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of the Group; or

(vi) any breach of, or any event rendering untrue or incorrect in any respect, any of the Warranties; or

(vii) approval by the Listing Committee of the Stock Exchange 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 Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws the Hong Kong Prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings

We have undertaken to the Joint Global Coordinators, the Hong Kong Underwriters and the Joint Sponsors that except pursuant to the Global Offering, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six-Month Period**"), we will not without the Joint Global Coordinators prior written consent and unless in compliance with the requirements of the Listing Rules:

(I) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or

(II) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or

(III) enter into any transaction with the same economic effect as any transaction specified in paragraph (I) or (II) above

(IV) offer to or agree to or announce any intention to effect any transaction specified in paragraph (I), (II) or (III) above,

in each case, whether any of the transactions specified in paragraph (I), (II) and (III) above is to be settled by delivery of Shares or such other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Company enters into any of the transactions specified in paragraph (I), (II) and (III) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company. The Controlling Shareholders jointly and severally undertake to each of the Joint Global Coordinators, the Hong Kong Underwriters and the Joint Sponsors to procure the Company to comply with the undertakings abovein paragraph (I), (II), (III) and (IV) above.

The Controlling Shareholders agree and undertake to each of our Company, the Joint Global Coordinators, the Hong Kong Underwriters and the Joint Sponsors that, save as pursuant to the Global Offering, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(i) it will not, at any time during the First Six-Month Period,

(A) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), or

(B) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or

(C) enter into any transaction with the same economic effect as any transaction specified in paragraph (A) and (B) above, or

(D) offer to or agree to or announce any intention to effect any transaction specified in paragraph (A), (B) and (C) above, whether in each case, any of the transactions specified in paragraph (A), (B), (C) above is to be settled by delivery of Shares or such other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(ii) it will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraph (A), (B) and (C) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of the Company; and

(iii) until the expiry of the Second Six-Month period, in the event that it enters into any of the transactions specified in paragraph (A), (B) or (C) above or offer to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

In addition to the above undertakings, MSPEA Pharma BV, a direct Shareholder of our Company, has given similar lock-up undertakings as our Controlling Shareholders to the Joint Global Coordinators during the First Six-Month Period.

Lock-up

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to us and to the Stock Exchange that he or it will not, and shall procure that any other registered holder (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

(i) during the First Six-Month Period, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he or it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules); or

(ii) during the Second Six-Month Period, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a controlling shareholder of us.

Further, pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to us and to the Stock Exchange that, during the First Six-Month Period and the Second Six-Month Period, he or it will:

(i) if he or it pledges or charges any of our securities beneficially owned by him or it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and

(ii) if he or it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform us of such indications.

We will inform the Stock Exchange as soon as we have been informed of matters referred to in Rule 10.07(2) and Note 3(i) and (ii) of the Listing Rules by a Controlling Shareholder and disclose such matter by way of an announcement which is published in accordance with Rule 2.07C as soon as possible.

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain prescribed circumstances.

Commission and expenses

We will pay to the Hong Kong Underwriters a gross underwriting commission ("**Commission**") at the rate of 2.75% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering (including the sales proceeds from the exercise of the Over-Allotment Option, but excluding any fees, taxes and expenses) (the "**Gross Proceeds**"), out of

which the Hong Kong Underwriters will pay any sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. In addition, we may, at our discretion, pay the Joint Global Coordinators an incentive fee (the "**Incentive Fee**") of 0.5% of the Gross Proceeds, which shall be determined at or prior to pricing. In addition to the Commission and Incentive Fee referred to above, we have agreed to pay the Joint Global Coordinators a success fee (the "**Success Fee**") in the range of US$1.57 million to US$2.50 million upon the successful listing of the Shares on the Listing Date, with the exact amount of such Success Fee to be agreed between us and the Joint Global Coordinators on or before the Listing Date.

International Offering

International Underwriting Agreement

In connection with the International Offering, we expect to enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters to be named therein would severally agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-Allotment Option, exercisable at the sole and absolute discretion of the Joint Global Coordinators for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require us to issue and allot up to 187,500,000 additional Shares representing 15% of the maximum number of Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price.

Total expenses

Assuming an Offer Price of HK$4.24 per Share (being the midpoint of the stated Offer Price range of HK$3.88 to HK$4.60 per Share), the aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy of 0.003%, Stock Exchange trading fee of 0.005%, legal and other professional fees and printing and other expenses relating to the Global Offering to be borne by us are estimated to amount in aggregate to approximately HK$229.0 million (assuming the Over-Allotment Option is not exercised) in total. Such commissions and fees will be borne by us in proportion to the amount of Offer Shares sold by us in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Morgan Stanley and UBS are the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-Allotment Option):

— the Hong Kong Public Offering of 125,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the section headed "Structure of the Global Offering — The Hong Kong Public Offering"; and

— the International Offering of 1,125,000,000 Shares (subject to adjustment as mentioned below) in the United States with QIBs in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, and outside the United States in reliance on Regulation S.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, as well as to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the section headed "Structure of the Global Offering — Pricing and Allocation" below.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around 20 October 2010 and in any event, no later than 26 October 2010.

The Offer Price will be not more than HK$4.60 per Offer Share and is expected to be not less than HK$3.88 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Bookrunners (on behalf of the Underwriters) and with the consent of our Company consider the number of Offer Shares being offered under the Global Offering and/or if appropriate, the indicative offer price range may be reduced below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering on 20 October 2010 cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Joint Global Coordinators.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the listing of the Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on 27 October 2010 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company's website at **www.sihuanpharm.com** and the website of the Stock Exchange at **www.hkex.com.hk**.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(a) the granting by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and such listing and permission not subsequently having been revoked prior to the Listing Date;

(b) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(c) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional and not having been terminated in accordance with their respective terms prior to 8:00 a.m. on the Listing Date.

If for any reason, the Offer Price is not agreed by 26 October 2010 between the Joint Bookrunners (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

THE HONG KONG PUBLIC OFFERING

We are initially offering 125,000,000 Shares at the Offer Price under the Hong Kong Public Offering, representing 10% of the 1,125,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 2.5% of our total issued share

capital immediately after completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. In Hong Kong, individual retail investors are expected to apply for Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Hong Kong Offer Shares.

The Offer Price will be not more than HK$4.60 and is expected to be not less than HK$3.88. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$4.60 per Share plus 1.0% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK$4.60, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

For allocation purposes only, the 125,000,000 Shares initially being offered for subscription under the Hong Kong Public Offering will be divided equally into two pools: Pool A comprising 62,500,000 Hong Kong Offer Shares and Pool B comprising 62,500,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the 125,000,000 Shares initially comprised in the Hong Kong Public Offering (that is 62,500,000 Hong Kong Offer Shares) are liable to be rejected.

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 375,000,000, 500,000,000 and 625,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)),

respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-Allotment Option). In such cases, the number of Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Shares will be allocated to Pool A and Pool B. In addition, the Joint Global Coordinators may at their discretion allocate International Offer Shares to satisfy valid applications under the Hong Kong Public Offer.

If the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

The number of International Offer Shares to be initially offered for subscription or sale under the International Offering will be 1,125,000,000 Shares, representing 90% of the Offer Shares under the Global Offering. The Offer Shares initially offered under the International Offering will consist of new Shares only.

Pursuant to the International Offering, the International Underwriters will conditionally place our Shares with QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act, as well as with institutional and professional investors and other investors expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Offering is subject, among other things, to the Hong Kong Public Offering being unconditional.

We expect to grant the Over-Allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators at their sole and absolute discretion on behalf of the International Underwriters for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-Allotment Option is exercised. Pursuant to the Over-Allotment Option, the Joint Global Coordinators will have the right to require us to allot and issue up to 187,500,000 additional Shares representing 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price.

OVER-ALLOTMENT AND STABILISATION

Stabilisation is a practice used by underwriters to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market during a specified period of time to retard and, if possible, prevent a decline in the initial pubic offering price of the securities.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it may over-allocate or effect transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person

acting for it to conduct any such stabilising activity which, if commenced, may be terminated at the absolute discretion of the Stabilising Manager or any person acting for it at any time. Any such stabilising activity is required to be brought to an end on the 30th day of the last day for lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued or sold upon exercise of the Over-Allotment Option, being 187,500,000 Shares in aggregate, which is approximately 15% of the number of Offer Shares initially available under the Global Offering. For the purpose of covering over-allocations pursuant to the Over-Allotment Option, the Stabilising Manager may choose to borrow, whether on its own or through its affiliates or any person acting for it, up to 187,500,000 Shares from Plenty Gold under the Stock Borrowing Agreement to be entered into between the Stabilising Manager and Plenty Gold on or about the Price Determination Date, or acquire Shares from other sources.

Stabilising actions permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilisation) Rules include:

- over-allocation for the purpose of preventing or minimising any reduction in the market price;
- selling or agreeing to sell Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price;
- subscribing, or agreeing to subscribe, for Shares pursuant to the Over-Allotment Option in order to close out any position established as a result of over-allocation or short position described above;
- purchasing, or agreeing to purchase, Shares for the sole purpose of preventing or minimising any reduction in the market price;
- selling Shares to liquidate a long position held as a result of those purchases; and
- offering or attempting to do anything described in the 2nd, 3rd, 4th and 5th actions above.

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the Stabilising Manager or any person acting for it may maintain a long position in our Shares. The size of the long position and the period for which the Stabilising Manager or any person acting for it will maintain the long position is at the discretion of the Stabilising Manager and is uncertain. In the event that the Stabilising Manager or any person acting for it liquidates its long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Stabilising action by the Stabilising Manager or any person acting for it is not permitted to support the price of our Shares for a period longer than the stabilising period, which begins on the Listing Date on which trading of our Shares first commences on the Stock Exchange and ends on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. Therefore, the stabilising period is expected to end on or before 19 November 2010. As a result, demand for our Shares and their market price may fall after the end of the stabilising period.

We will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

Any stabilising action taken by the Stabilising Manager or any person acting for it may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of our Shares by the Stabilising Manager or any person acting for it may be made at a price at or below the Offer Price and therefore at or below the price paid by you for our Shares.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 28 October 2010, it is expected that dealings in Shares on the Stock Exchange will commence at 9:30 a.m. on 28 October 2010.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Bookrunners (on behalf of the Underwriters) and us on the Price Determination Date.

We expect that we will, on or about 20 October 2010, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed "Underwriting" in this prospectus.

There are three channels to make an application for Hong Kong Offer Shares. You may either (i) use a **WHITE** or **YELLOW** Application Form; (ii) apply online through the designated website of the White Form eIPO Service Provider, referred to herein as the "**White Form eIPO**" service; or (iii) **electronically** instruct HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) or 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 **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

I. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form, or if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC.

If you wish to apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Joint Global Coordinators (or their agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Joint Global Coordinators or the White Form eIPO Service Provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Hong Kong Offer Shares are not available to existing beneficial owners of Shares in our Company, the Directors or chief executive of our Company or any of our subsidiaries, or associates of any of them or US persons (as defined in Regulation S) or persons who do not have a Hong Kong address.

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for International Offer Shares under the International Offering, but may not do both.

II. APPLYING BY USING AN APPLICATION CHANNEL

WHICH APPLICATION CHANNEL TO USE

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares issued in your own name.

Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of **White Form eIPO** service by submitting applications online through the designated website at **www.eipo.com.hk**. Use **White Form eIPO** service if you want the Hong Kong Offer Shares issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong 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 via CCASS to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf. Any Hong Kong 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 Participants stock account or your designated CCASS Participant's stock account.

Hong Kong Offer Shares are not available to existing beneficial owners of Shares in our Company, the Directors or chief executive of our Company or any of our subsidiaries, or associates of any of them (as "associate" is defined in the Listing Rules) or US persons (as defined in Regulation S) or persons who do not have a Hong Kong address.

WHERE TO COLLECT THE APPLICATION FORMS

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 15 October 2010 to 12:00 noon on Wednesday, 20 October 2010 from:

any one of the following addresses of the Hong Kong Underwriters:

Hong Kong Underwriters:

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

UBS AG, Hong Kong Branch
52/F Two International Finance Centre
8 Finance Street
Central, Hong Kong

any one of the following branches of Bank of China (Hong Kong) Limited:

	Branch Name	Address
Hong Kong Island:	Bank of China Tower Branch	3/F, 1 Garden Road
	Central District (Wing On House) Branch	71 Des Voeux Road Central
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
Kowloon:	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
	Mong Kok (President Commercial Centre) Branch	608 Nathan Road, Mong Kok
New Territories:	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long

or any one of the following branches of Bank of Communications Co., Ltd. Hong Kong Branch:

	Branch Name	Address
Hong Kong Island:	Hong Kong Branch	20 Pedder Street, Central
	Central District Sub-Branch	G/F, Far East Consortium Bldg, 125A Des Voeux Road, Central
	Chai Wan Sub-Branch	G/F, 121-121A Wan Tsui Road, Chai Wan
Kowloon:	Mong Kok Sub-Branch	Shops A & B, G/F, Hua Chiao Commercial Centre, 678 Nathan Road, Mong Kok
	Tsim Sha Tsui Sub-Branch	Shop 1-3, G/F, 22-28 Mody Road, Tsim Sha Tsui
New Territories:	Tsuen Wan Sub-Branch	G/F, Shop G9B-11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road, Tsuen Wan
	Shatin Sub-Branch	Shop No.193, Level 3, Lucky Plaza, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 15 October 2010 until 12:00 noon on Wednesday, 20 October 2010 from the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong.

Your stockbroker may also have Application Forms and this prospectus available.

HOW TO COMPLETE THE APPLICATION FORM

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 check(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

You should note that by signing on the Application Form:

(a) you confirm that you have received a copy of this prospectus and 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;

(b) you agree that we, the Joint Global Coordinators, the Underwriters and any of their respective directors, officers, employees, partners, agents or advisors are liable only for the information and representations contained in this prospectus and any supplement thereto (and only then to the extent such liability is held to exist by a court of competent jurisdiction);

(c) you 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 indicated an interest for, applied for or taken up any International Offer Shares under the International Offering; and

(d) you agree to disclose to our Company and/or our Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators 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.

In order for the **YELLOW** Application Forms to be valid:

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.

(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 Hong Kong Identity Card Numbers; and

(ii) the participant I.D. must 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 its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or omission of the 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.

If your application is made through a duly authorised attorney, we and the Joint Global Coordinators as our agents may accept it at our discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We and the Joint Global Coordinators in the capacity as our agents, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

MEMBERS OF THE PUBLIC — TIME FOR APPLYING FOR HONG KONG OFFER SHARES

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Wednesday, 20 October 2010, or, if the application lists are not open on that day, then by 12:00 noon on the next day the lists are open.

Your completed Application Form, with full payment in Hong Kong dollars attached, should be deposited in the special collection boxes provided at any of the branches of the receiving bankers listed under the section headed "How to Apply for Hong Kong Offer Shares — Where to Collect the Application Forms" above at the following times:

Friday, 15 October 2010 — 9:00 a.m. to 5:00 p.m.
Monday, 18 October 2010 — 9:00 a.m. to 5:00 p.m.
Tuesday, 19 October 2010 — 9:00 a.m. to 5:00 p.m.
Wednesday, 20 October 2010 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 20 October 2010 except as provided in the section headed "— Effect of Bad Weather on the Opening of the Application Lists" below.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until the closing of the application lists.

APPLICATION BY USING WHITE FORM eIPO

(i) You may apply through **White Form eIPO** by submitting an application through the designated website at **www.eipo.com.hk**. If you apply through **White Form eIPO** the Shares will be issued in your own name.

(ii) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated White Form eIPO Service Provider and may not be submitted to our Company.

(iii) The designated White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at **www.eipo.com.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 White Form eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorised the designated White Form eIPO 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 **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

(vi) You should give electronic application instructions through **White Form eIPO** at the times set out in the section headed "— White Form eIPO — When may applications be made" below.

(vii) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at **www.eipo.com.hk**. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Wednesday, 20 October 2010, or such later time as described under the section headed "— Effects of Bad Weather Conditions on the Opening of the Application Lists" below, the designated White Form eIPO 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.eipo.com.hk**.

(viii) Warning: The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated White Form eIPO Service Provider to public investors. Our Company, our Directors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

Environmental protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2 per each "Sihuan Pharmaceutical Holdings Group Ltd." **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

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 **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **White** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application 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. See "— How Many Applications May You Make" below.

Additional information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving electronic application instructions through **White Form eIPO** service to the White Form eIPO Service Provider through the designated website at **www.eipo.com.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 Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated White Form eIPO Service Provider, the designated White Form eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated White Form eIPO Service Provider on the designated website at **www.eipo.com.hk**. Please also refer to the paragraph headed "Refund of Application Monies" below.

White Form eIPO — When may applications be made

You may submit your application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Friday, 15 October 2010 until 11:30 a.m. on Wednesday, 20 October 2010 or such later time as described under the paragraph headed "Effects of Bad Weather Conditions on the Opening of the Applications Lists" 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 Wednesday, 20 October 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effects Of Bad Weather On The Opening Of The Applications Lists" below.

You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last

day for submitting applications. If you have already submitted your application and obtained an application reference number from the 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.

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 20 October 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 warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists of the Hong Kong Public Offering do not open and close on Wednesday, 20 October 2010 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected Timetable" in this prospectus, such dates mentioned in the section headed "Expected Timetable" in this prospectus may be affected. A press announcement will be made in such event.

PUBLICATION OF RESULTS

We expect to announce the Offer Price, the general level of indication of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Public Offering on Wednesday, 27 October 2010 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company's website at **www.sihuanpharm.com** and the website of the Stock Exchange at **www.hkex.com.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering can be found in our announcement to be posted on our Company's website at **www.sihuanpharm.com** and the website of the Stock Exchange at **www.hkex.com.hk** on Wednesday, 27 October 2010.
- Results of allocations for the Hong Kong Public Offering will be available from our designated results of allocations website at **www.iporesults.com.hk** on a 24-hour basis from 8:00 a.m. on Wednesday, 27 October 2010 to 12:00 midnight on Tuesday, 2 November 2010. Search by ID function will be available on our Hong Kong Public Offering results of allocations website at **www.iporesults.com.hk**, or via a hyperlink from our website at

www.sihuanpharm.com to our Hong Kong Public Offering results of allocations website at **www.iporesults.com.hk**. 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 to search for his/her/its own allocation result;

- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, 27 October 2010 to Saturday, 30 October 2010;

- 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 Wednesday, 27 October 2010 to Friday, 29 October 2010 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "How to Apply for Hong Kong Offer Shares — Where to Collect the Application Forms".

DESPATCH/COLLECTION OF SHARE CERTIFICATES/e-REFUND PAYMENT INSTRUCTIONS/ REFUND CHECKS

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the initial price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) paid on application, or if the conditions of the Global Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. All interest accrued on such monies prior to the date of refund will be retained for our benefit. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary document of title will be issued in respect of the Hong Kong Offer Shares. No receipt will be issued for sums paid on application. Subject as mentioned below, in due course, there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the application:

(a) share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose share certificates will be deposited into CCASS as described below); and/or

(b) refund check(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Offer Share paid

on application in the event that the Offer Price is less than the initial price per Offer Share paid on application, in each case including related brokerage at the rate of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% but without interest.

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 check, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund check. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund check.

Subject as mentioned below, refund checks for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and share certificates (if applicable) for successful and partially successful applicants under **WHITE** or **YELLOW** Application Forms are expected to be posted on or before Wednesday, 27 October 2010. The right is reserved to retain any share certificates and any surplus application monies pending clearance of check(s).

If you apply using a WHITE Application Form:

If you have applied for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **WHITE** Application Form to collect your refund check(s) (where applicable) and/or share certificate(s) (where applicable) in person, you may collect your refund check(s) (where applicable) and/or share certificate(s) (where applicable) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 27 October 2010. If you are an individual, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your company chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund check(s) and/or share certificate(s) within the time period specified for collection, they will be despatched thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Forms that you will collect your share certificate(s) and/or refund check(s) (if any) in person, or you have applied for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) and/or refund check(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage, Stock Exchange trading fee and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Wednesday, 27 October 2010 by ordinary post and at your own risk.

If you apply using a YELLOW Application Form:

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificates 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 on Wednesday, 27 October 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) for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the section headed "How to Apply for Hong Kong Offer Shares — Publication of Results" on Wednesday, 27 October 2010. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 27 October 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant 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 Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund check (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your application form that you will collect your refund check(s) (if any) in person, or you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) (where applicable) in respect of the application monies or the appropriate portion thereof, together with the related brokerage, the Stock Exchange trading fee and the SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Wednesday, 27 October 2010 by ordinary post and at your own risk.

Application made through White Form eIPO

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 27 October 2010, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund checks.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** on Wednesday, 27 October 2010 by ordinary post and at your own risk.

If you paid the application monies from a single bank account, refund monies (if any) will be dispatched to the application payment bank account in the form of e-Refund payment instructions on or around Wednesday, 27 October 2010. If you paid the application monies from multiple bank accounts, refund monies (if any) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** on or around Wednesday, 27 October 2010 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated White Form eIPO Service Provider set out in the section headed "— Application by using White Form eIPO — Additional Information" above.

III. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

GENERAL

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies 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.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
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.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and our registrars.

APPLICATION FOR HONG KONG OFFER SHARES BY HKSCC NOMINEES ON YOUR BEHALF

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

(a) HKSCC Nominees is only acting as a 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;

(b) HKSCC Nominees, on behalf of each such person:

(i) agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;

(ii) undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

(iii) undertakes and confirms that that person has not indicated an interest for, applied for or taken up any International Offer Shares under the International Offering nor otherwise participated in the International Offering;

(iv) (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;

(v) (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;

(vi) understands that the above declaration will be relied upon by our Company and the Joint Global Coordinators in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;

(vii) authorises our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund money in accordance with the arrangements separately agreed between our Company and HKSCC;

(viii) 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;

(ix) 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 or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations save as set out in any supplement to this prospectus;

(x) agrees that our Company, the Joint Global Coordinators, the Underwriters and any of their respective directors, officers, employees, partners, agents or advisors are liable only for the information and representations contained in this prospectus and any supplement thereto (and only then to the extent such liability is held to exist by a court of competent jurisdiction);

(xi) agrees to disclose that person's personal data to our Company, our Hong Kong Share Registrar, receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents any information which they may require about that person;

(xii) agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;

(xiii) 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 Monday, 15 November 2010, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before Monday, 15 November 2010 except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before Monday, 15 November 2010 if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

(xiv) 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 of the results of the Hong Kong Public Offering published by our Company;

(xv) agrees to the arrangements, undertakings and warranties 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 Hong Kong Offer Shares; and

(xvi) agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

EFFECT OF GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum offer price, and the related brokerage, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies (in each case including brokerage, the SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

MULTIPLE APPLICATIONS

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares 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 the Hong Kong 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.

MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Such instructions in respect of more than 1,000 Hong Kong Offer Shares must be in one of the number of shares in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

TIME FOR INPUTTING ELECTRONIC APPLICATION INSTRUCTIONS

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 15 October 2010 — 9:00 a.m. to 8:30 p.m.(1)
Monday, 18 October 2010 — 8:00 a.m. to 8:30 p.m.(1)
Tuesday, 19 October 2010 — 8:00 a.m. to 8:30 p.m.(1)
Wednesday, 20 October 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 Friday, 15 October 2010 until 12:00 noon on Wednesday, 20 October 2010 (24 hours daily, except the last application day).

EFFECT OF BAD WEATHER ON THE LAST APPLICATION DAY

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 20 October 2010, the last application day. If there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 20 October 2010, the last application day will be postponed to the next business day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

If the application lists of the Hong Kong Public Offering do not open and close on Wednesday, 20 October 2010 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected Timetable" in this prospectus, such dates mentioned in the section headed "Expected Timetable" in this prospectus may be affected. A press announcement will be made in such event.

ALLOCATION OF HONG KONG OFFER SHARES

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

DEPOSIT OF SHARE CERTIFICATES INTO CCASS AND REFUND OF APPLICATION MONIES

- No temporary documents 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 on Wednesday, 27 October 2010 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner) if such information was provided to us, your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner described in the section headed "How to Apply for Hong Kong Offer Shares — Publication of Results" on Wednesday, 27 October 2010 You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 27 October 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 Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 27 October 2010. Immediately following the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Hong Kong Offer Share paid on application, in each case including the related brokerage of 1%, SFC transaction levy of 0.003% 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 Wednesday, 27 October 2010. No interest will be paid thereon.

SECTION 40 OF THE COMPANIES ORDINANCE

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

PERSONAL DATA

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, our Hong Kong Share Registrar, receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

WARNING

The application of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our Directors, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 20 October 2010.

IV. HOW MANY APPLICATIONS MAY YOU MAKE

You may make more than one application for the Hong Kong 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 for your benefit.

Otherwise, multiple applications are not allowed and will be rejected.

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated White Form eIPO Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving **electronic application instructions** through the designated website at **www.eipo.com.hk** and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an **electronic application instruction** to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service; you:

- (if the application is made for your own benefit) warrant that the application made pursuant to the Application Form or **electronic application instruction** to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service 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 White Form eIPO Service Provider through **White Form eIPO** service;

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person which confirm 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 White Form eIPO Service Provider through **White Form eIPO** service, and that you are duly authorised to sign the Application Form or give **electronic application instruction** as that other person's agent.

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 White Form eIPO Service Provider through **White Form eIPO** service; or

- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service; or

- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service; for more than 50% of the Hong Kong Offer Shares initially being offered for sale under the Hong Kong Public Offering as more particularly described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering"; or

- have indicated an interest for or have been or will be placed International Offer Shares under the International Offering.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of an 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 made for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company; or
- control more than one-half of the voting power of the company; or
- hold more than one-half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

V. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked

By completing and submitting an Application Form or submitting an **electronic application instruction** you agree that you cannot revoke your application or the application made by HKSCC Nominees on your behalf or by the designated White Form eIPO provider through **White Form eIPO** service on or before Monday, 15 November 2010. This agreement will take effect as a collateral contract with us, and will become binding when you lodge your application or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly or to the designated White Form eIPO Service Provider through **White Form eIPO** service. This collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before Monday, 15 November 2010 except by means of one of the procedures referred to in this prospectus.

You may only revoke your application or the application made by HKSCC Nominees on your behalf on or before Monday, 15 November 2010 if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits 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 your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) **Full discretion of our Company, the Joint Global Coordinators or our or their respective agents to reject or accept**

We, the Joint Global Coordinators or the designated White Form eIPO Service Provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(c) **If the allotment of Hong Kong Offer Shares is void**

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instruction** to HKSCC 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 Offer Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

(d) **Circumstances in which you will not receive any allotment**

- you make multiple applications or you are suspected to have made multiple applications;
- you or the person whose benefits you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) International Offer Shares in the International Offering. By filling in any of the Application Forms or submitting **electronic application instructions** to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service, you agree not to apply for or indicate an interest for International Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received International Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;
- you apply for more than 50% of the Hong Kong Offer Shares initially being offered under the Hong Kong Public Offering;

- your payment is not made correctly or you pay by check or banker's cashier order and the check or banker's cashier order is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.eipo.com.hk**;
- the Underwriting Agreements do not become unconditional; or
- the Underwriting Agreements are terminated in accordance with their respective terms.

You should also note that you may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for International Offer Shares under the International Offering, but may not do both.

VI. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum offer price is HK$4.60 per Hong Kong Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 1,000 Hong Kong Offer Shares, you will pay HK$4,646.37. The Application Forms have tables showing the exact amount payable for the numbers of Hong Kong Offer Shares that may be applied for.

You must pay the maximum offer price and related brokerage, SFC transaction levy and the Stock Exchange trading fee in full when you apply for the Hong Kong Offer Shares. You must pay the amount payable upon application for Hong Kong Offer Shares by a check or a banker's cashier order in accordance with the terms set out in the Application Form or this prospectus.

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange, the SFC transaction levy and Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

VII. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reason, we will refund your application monies, including related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) without interest.

If the Offer Price as finally determined is less than the initial price per Hong Kong Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) paid on application, we will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of despatch of refund checks will be retained for our benefit.

In a contingency situation involving a substantial over-application, at the discretion of us and the Joint Global Coordinators, checks for applications made on Application Forms for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund check(s) 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 check, 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 check. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund check.

Refund of your application monies (if any) is expected to be made on Wednesday, 27 October 2010 in accordance with the various arrangements as described above.

VIII. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 28 October 2010.

The Shares will be traded in board lots of 1,000 each. The stock code of the Shares is 460.

IX. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the 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 the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

15 October 2010

The Directors
Sihuan Pharmaceutical Holdings Group Ltd.

Morgan Stanley Asia Limited
UBS AG, Hong Kong Branch

Dear Sirs,

We report on the financial information of Sihuan Pharmaceutical Holdings Group Ltd. (the "Company") and its subsidiaries (together, the "Group") which comprises the consolidated balance sheets as at 31 December 2007, 2008 and 2009 and 30 June 2010, the balance sheets of the Company as at 31 December 2007, 2008 and 2009 and 30 June 2010, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes. This Financial Information has been prepared by the directors of the Company and is set out in Sections I to IV below for inclusion in Appendix I to the prospectus of the Company dated 15 October 2010 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in Bermuda on 26 April 2006 under the Bermuda Companies Act as a private limited company.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and an associated company as set out in Notes 10 and 9 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

The directors of the Company have prepared consolidated financial statements of the Group for the Relevant Periods, in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with International Standards on Auditing ("ISA") issued by the International Auditing and Assurance Standards Board ("IAASB") pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' responsibility for the financial information

The directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of 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 accountant's responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures 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 gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 and of the Group's results and cash flows for each of the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to IV below included in Appendix I to the Prospectus which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2009 and a summary of significant accounting policies and other explanatory notes (the "Stub Period Comparative Financial Information").

The directors are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with IFRSs.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope that an audit conducted in accordance with ISA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of the Prospectus, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with IFRSs.

I FINANCIAL INFORMATION

The following is the financial information of the Group prepared by the directors of the Company for the Relevant Periods:

CONSOLIDATED BALANCE SHEETS

		As at 31 December			As at 30 June
	Note	2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	78,675	117,287	162,036	173,127
Intangible assets	7	190,248	225,391	137,461	150,817
Land use rights	8	6,576	16,234	18,843	18,279
Interest in an associated company	9	—	61,142	—	—
Deferred income tax assets	19	—	—	58,144	40,937
Other non-current assets	11	45,000	—	—	—
		320,499	420,054	376,484	383,160
Current assets					
Inventories	12	22,953	39,395	42,967	49,298
Trade and other receivables	13	24,714	71,424	141,132	310,519
Cash and cash equivalents	14	262,380	331,178	612,859	620,378
		310,047	441,997	796,958	980,195
Total assets		630,546	862,051	1,173,442	1,363,355
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	15	69,262	69,262	69,262	69,262
Share premium	15	182,909	182,909	182,909	182,909
Other reserves	16	45,626	75,255	109,585	109,585
Retained earnings	16	227,016	373,790	545,747	800,596
		524,813	701,216	907,503	1,162,352
Non-controlling interests		—	14,644	16,684	10,318
Total equity		524,813	715,860	924,187	1,172,670
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	19	10,214	18,997	29,995	10,761
Current liabilities					
Trade and other payables	17	68,826	89,551	120,391	94,261
Current income tax liabilities	24	14,693	37,643	98,869	85,663
Borrowings	18	12,000	—	—	—
		95,519	127,194	219,260	179,924
Total liabilities		105,733	146,191	249,255	190,685
Total equity and liabilities		630,546	862,051	1,173,442	1,363,355
Net current assets		214,528	314,803	577,698	800,271
Total assets less current liabilities		535,027	734,857	954,182	1,183,431

BALANCE SHEETS

	Note	As at 31 December			As at 30 June
		2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Investments in subsidiaries	10	208,617	208,617	208,617	208,617
Current assets					
Trade and other receivables	13	27,002	36,349	35,049	35,891
Cash and cash equivalents	14	82,244	49,396	26,258	19,880
		109,246	85,745	61,307	55,771
Total assets		317,863	294,362	269,924	264,388
EQUITY					
Share capital	15	69,262	69,262	69,262	69,262
Share premium	15	182,909	182,909	182,909	182,909
Retained earnings/(accumulated losses)	16	50,781	24,283	(4,554)	(18,774)
Total equity		302,952	276,454	247,617	233,397
LIABILITIES					
Current liabilities					
Trade and other payables	17	14,911	17,908	22,307	30,991
Total liabilities		14,911	17,908	22,307	30,991
Total equity and liabilities		317,863	294,362	269,924	264,388
Net current assets		94,335	67,837	39,000	24,780
Total assets less current liabilities		302,952	276,454	247,617	233,397

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	20	286,349	510,048	708,907	322,394	473,437
Cost of sales	21	(60,526)	(133,551)	(191,915)	(90,696)	(127,074)
Gross profit		225,823	376,497	516,992	231,698	346,363
Other gains/(losses) - net	20	22,744	(8,014)	(16,348)	(29,151)	19,444
Distribution costs	21	(22,732)	(38,906)	(48,810)	(22,634)	(26,364)
Administrative expenses	21	(38,856)	(53,405)	(78,809)	(35,276)	(52,420)
Operating profit		186,979	276,172	373,025	144,637	287,023
Finance income	23	1,271	4,259	6,236	1,287	4,157
Finance costs	23	(3,798)	(3,789)	(592)	(1,110)	(1,085)
Finance (costs)/income - net		(2,527)	470	5,644	177	3,072
Share of profit of an associated company	9	—	10,427	2,357	2,357	—
Profit before income tax		184,452	287,069	381,026	147,171	290,095
Income tax expense	24	(5,626)	(53,621)	(67,370)	(36,335)	(42,683)
Profit and total comprehensive income for the year/period		178,826	233,448	313,656	110,836	247,412
Attributable to:						
Equity holders of the Company		179,266	237,059	326,316	119,594	254,849
Non-controlling interests		(440)	(3,611)	(12,660)	(8,758)	(7,437)
		178,826	233,448	313,656	110,836	247,412
Earnings per share attributable to equity holders of the Company						
- Basic and diluted earnings per share (RMB cents)	25	39.93	50.44	69.43	25.45	54.22

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2007		54,413	—	24,775	68,601	2,661	150,450
Comprehensive income							
Profit/(loss) for the year		—	—	—	179,266	(440)	178,826
Transactions with owners							
Shares issued	15	14,849	193,338	—	—	—	208,187
Share issuance expenses	15	—	(10,429)	—	—	—	(10,429)
Acquisition of additional interest in a subsidiary	29(b)	—	—	—	—	(2,221)	(2,221)
Transfer to other reserves	16	—	—	20,851	(20,851)	—	—
Balance as at 31 December 2007		69,262	182,909	45,626	227,016	—	524,813
Balance as at 1 January 2008		69,262	182,909	45,626	227,016	—	524,813
Comprehensive income							
Profit/(loss) for the year		—	—	—	237,059	(3,611)	233,448
Transactions with owners							
Acquisition of a subsidiary		—	—	—	—	18,255	18,255
Dividends	26	—	—	—	(60,656)	—	(60,656)
Transfer to other reserves	16	—	—	29,629	(29,629)	—	—
Balance as at 31 December 2008		69,262	182,909	75,255	373,790	14,644	715,860
Balance as at 1 January 2009		69,262	182,909	75,255	373,790	14,644	715,860
Comprehensive income							
Profit/(loss) for the year		—	—	—	326,316	(12,660)	313,656
Transactions with owners							
Establishment of a subsidiary		—	—	—	—	14,700	14,700
Dividends	26	—	—	—	(120,029)	—	(120,029)
Transfer to other reserves	16	—	—	34,330	(34,330)	—	—
Balance as at 31 December 2009		69,262	182,909	109,585	545,747	16,684	924,187
Balance as at 1 January 2010		69,262	182,909	109,585	545,747	16,684	924,187
Comprehensive income							
Profit/(loss) for the period		—	—	—	254,849	(7,437)	247,412
Transactions with owners							
Acquisition of a subsidiary		—	—	—	—	1,071	1,071
Balance as at 30 June 2010		69,262	182,909	109,585	800,596	10,318	1,172,670
Unaudited							
Balance as at 1 January 2009		69,262	182,909	75,255	373,790	14,644	715,860
Comprehensive income							
Profit/(loss) for the period		—	—	—	119,594	(8,758)	110,836
Transactions with owners							
Dividends	26	—	—	—	(71,558)	—	(71,558)
Balance as at 30 June 2009		69,262	182,909	75,255	421,826	5,886	755,138

CONSOLIDATED CASH FLOW STATEMENTS

	Note	Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Cash generated from operations	27	193,715	282,901	438,938	198,135	241,900
Income tax paid		(11,150)	(26,082)	(53,290)	(26,801)	(57,916)
Net cash generated from operating activities		182,565	256,819	385,648	171,334	183,984
Cash flows from investing activities						
Investment in an associated company	9	—	(35,715)	—	—	—
Proceeds from disposal of an associated company	9	—	—	69,700	69,700	32,000
Prepayments for acquisition of subsidiary and associate	11	(45,000)	—	—	—	—
Acquisition of subsidiaries, net of cash acquired	29	(36,305)	(39,833)	(6,000)	—	19
Contribution by non-controlling shareholders for establishment of a new subsidiary		—	—	14,700	—	—
Acquisition of additional interest in a subsidiary	29	(2,485)	—	—	—	—
Proceeds from disposal of property, plant and equipment	27	302	—	136	—	—
Purchase of equity investments		(24,684)	—	—	—	—
Proceeds from sale of equity investments		37,936	—	—	—	—
Purchase of property, plant and equipment		(30,839)	(29,452)	(56,677)	(5,049)	(18,580)
Increase in intangible assets		(55,927)	(14,624)	(8,295)	(4,840)	(20,122)
Payment for land use right		—	—	(3,738)	—	—
Interest received		1,271	4,259	6,236	1,287	4,157
Net cash (used in)/generated from investing activities		(155,731)	(115,365)	16,062	61,098	(2,526)
Cash flows from financing activities						
Changes in amount due from holding company		—	—	—	—	(173,939)
Proceeds from issuance of ordinary shares, net of share issuance expenses		197,758	—	—	—	—
Dividends paid		—	(60,656)	(120,029)	(71,558)	—
Repayment of borrowings		(4,000)	(12,000)	—	—	—
Net cash generated from/(used in) financing activities		193,758	(72,656)	(120,029)	(71,558)	(173,939)
Net increase in cash and cash equivalents		220,592	68,798	281,681	160,874	7,519
Cash and cash equivalents at the beginning of the year/period		41,788	262,380	331,178	331,178	612,859
Cash and cash equivalents at the end of the year/period	14	262,380	331,178	612,859	492,052	620,378

II. NOTES TO THE FINANCIAL INFORMATION

1. General information and group reorganisation

The Company is incorporated in Bermuda under the Bermuda Companies Act as an exempted company.

The principal activities of the Group include the manufacturing and sales of pharmaceutical products in the People's Republic of China ("PRC").

The immediate holding company of the Company is China Pharma Limited ("China Pharma"), a limited liability company incorporated under the laws of Bermuda on 17 July 2009. In the opinion of the directors, the ultimate holding company of the Company is Plenty Gold Enterprises Limited ("Plenty Gold").

The address of the Company's registered office is Clarendon House, 2 Church Street, P.O. Box HM 1022, Hamilton HM DX, Bermuda. The address of the principal place of business of the Group is 26th & 27th Floor, Sky City International Building, No.85, Binhai Avenue, Haikou, Hainan, 570105, PRC.

(a) ***Incorporation of the Company***

The Company was incorporated on 26 April 2006 in accordance with the Bermuda Companies Act as an exempted company with an authorised share capital of US$12,000, comprising 12,000 ordinary shares of US$1.00 each, which were issued to Plenty Gold on 26 April 2006. Plenty Gold is an investment holding company incorporated in the British Virgin Islands on 10 March 2006 by Dr. Che Fengsheng, Dr. Guo Weicheng, Mr. Meng Xianhui and Dr. Zhang Jionglong, who each holds 51%, 25%, 11% and 13% respectively of the share capital of Plenty Gold.

On 6 December 2006, the authorised and issued share capital of the Company was increased from US$12,000 to US$12,000,000 and from US$12,000 to US$7,500,000, respectively, by the resolution of the shareholder, allotted entirely to Plenty Gold and credited as fully paid as at 6 December 2006.

(b) ***Acquisition of Hainan Sihuan Pharmaceutical Co., Ltd ("Hainan Sihuan")***

Hainan Sihuan was incorporated under the laws of the PRC on 16 March 2001. Prior to the restructuring, the registered capital of Hainan Sihuan was owned by Dr. Che Fengsheng, Dr. Guo Weicheng, Mr. Meng Xianhui and Dr. Zhang Jionglong in the proportion of 51%, 25%, 11% and 13% respectively. Pursuant to a share transfer agreement dated 19 June 2006, the Company agreed to acquire from Dr. Che Fengsheng, Dr. Guo Weicheng, Mr. Meng Xianhui and Dr. Zhang Jionglong their entire interests in Hainan Sihuan for a cash consideration of RMB 58,617,000. Following the said acquisition, Hainan Sihuan became a direct wholly-owned subsidiary of the Company. Accordingly, Beijing Sihuan Pharmaceutical Co., Ltd ("Beijing Sihuan"), Hainan Sihuan Cardiocerebral Vascular Drugs Research Institute Co., Ltd ("Hainan CVD Research"), Hainan Sihuan Technology Pharmaceutical Co., Ltd ("Hainan Sihuan Technology"), Hainan Sihuan Pharmaceutical Information Co., Ltd ("Hainan Sihuan Information") and Hainan Sanpu Pharmaceutical Development Co., Ltd ("Hainan Sanpu"), which are direct subsidiaries of Hainan Sihuan, have become part of the Group since then.

(c) ***Disposal of interests in Hainan Sanpu***

Pursuant to a share transfer agreement dated 5 September 2006, Hainan Sihuan transferred its entire interests in Hainan Sanpu to an unrelated third party. Following the said sale, Hainan Sanpu ceased to be a subsidiary of the Group.

(d) ***Listing of the Company's shares on Singapore Exchange Securities Trading Limited ("SGX-ST")***

In February 2007, the Company's shareholder approved the sub-division of every one ordinary share of US$1 each in the authorised and issued share capital of the Company into 50 shares. The resulting authorised share capital of the Company was US$12,000,000 divided into 600,000,000 ordinary shares of US$0.02 each and the resulting issued share capital was US$7,500,000 divided into 375,000,000 ordinary shares of US$0.02 each.

In March 2007, the Company issued 95,000,000 ordinary shares for a total consideration of RMB 208,187,000 for cash as part of the initial public offering in SGX-ST. The newly issued shares rank pari passu in all respects with the then issued shares. Upon this share issue, the resulting issued and fully paid-up share capital of the Company was US$9,400,000 divided into 470,000,000 ordinary shares of US$0.02 each.

(e) ***Acquisition of additional interest in Hainan CVD Research***

In June 2007, the Company acquired a further 49% equity interest in Hainan CVD Research for a cash consideration of RMB 2,485,000. After the acquisition, the equity interest of the Group in Hainan CVD increased from 51% to 100%.

(f) ***Acquisition of Shenzhen Sihuan Pharmaceutical Co., Ltd ("Shenzhen Sihuan")***

In October 2007, the Group acquired 100% equity interest in Shenzhen Sihuan from third parties for a cash consideration of RMB 60,000,000, which became a wholly-owned subsidiary of the Group since then.

(g) ***Acquisition of Sun Moral International Company Limited ("Sun Moral")***

In November 2007, the Company acquired a wholly-owned subsidiary, Sun Moral with a share capital of 1 ordinary share of HK$1 each for a cash consideration of HK$1. Following this, the Company's entire shareholding in Hainan Sihuan was transferred to Sun Moral. As a result of the transfer, Hainan Sihuan became an indirectly owned subsidiary of the Company.

(h) ***Acquisition of Hainan Ao He Co., Ltd. (formerly known as Hainan Sihuan Sales Co., Ltd. "Hainan Ao He")***

In January 2008, the Group acquired 100% equity interest in Hainan Ao He for a total cash consideration of RMB 3,758,000, pursuant to which Hainan Ao He became a wholly-owned subsidiary of the Group since then.

(i) ***Acquisition of KBP BioSciences Pharmaceutical Technical Co., Ltd ("KBP BioSciences")***

In April 2008, the Group acquired 60% equity interest in KBP BioSciences from third parties for a total cash consideration of RMB 62,500,000, pursuant to which KBP BioSciences became a subsidiary of the Group since then.

(j) ***Acquisition and disposal of Beijing Purenhong Pharmaceutical Co., Ltd ("Beijing Purenhong")***

On 15 May 2008, the Group acquired 45% of the issued share capital of Beijing Purenhong for a cash consideration of RMB 50,715,000, pursuant to which Beijing Purenhong became an associated company of the Group since then.

On 25 March 2009, the Group disposed of its 45% equity interest in Beijing Purenhong for a cash consideration of RMB 101,700,000.

(k) ***De-listing from SGX-ST***

In August 2009, China Pharma made a voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital of the Company for a cash consideration of SGD 0.975 per share. The offer was accepted by the then shareholders of the Company and the Company was delisted from the SGX-ST on 2 December 2009. Thereafter, the Company has become 100% held by China Pharma.

(l) ***Establishment of Langfang Sihuan Gaobo Pharmaceutical Co., Ltd ("Langfang Sihuan")***

In July 2009, the Group set up a new subsidiary, Langfang Sihuan, with independent third parties, 北京高博醫藥化學技術開發有限公司, holding 51% equity interest in Langfang Sihuan.

(m) ***Establishment of Beijing Di Ao Lin Pharmaceutical Technical Co., Ltd ("Beijing Di Ao Lin")***

Beijing Di Ao Lin was incorporated on 5 February 2010 and is wholly-owned by KBP BioSciences.

(n) ***Establishment of Beijing Ao He Research Institute Co., Ltd ("Beijing Ao He Research")***

In May 2010, the Group set up a new subsidiary, Beijing Diao, which was wholly-owed by Beijing Sihuan.

(o) ***Acquisition of Beijing Gao Duan Wei Ye Pharmaceutical Technical Co., Ltd. ("Gao Duan Wei Ye")***

In June 2010, the Group acquired 60% equity interest in Gao Duan Wei Ye from independent third parties for a total cash consideration of RMB 4,000,000.

(p) ***Collaboration in relation to Hainan Ao He***

On 30 April 2010, a cooperation framework agreement was entered into amongst Shenzhen Sihuan and two independent third parties, namely Zhu Xiaowu (朱小伍) and Li Gang (李剛). Pursuant to this framework agreement, the parties shall enter into a share transfer agreement for Shenzhen Sihuan to dispose of 61% of its shareholding, of which 41% to Zhu Xiaowu (朱小伍) and 20% to Li Gang (李剛). As at 30 June 2010, the relevant legal procedures had not yet been finalized.

After the above reorganisation, the subsidiaries of the Company as at the date of this report are set out below.

Name of companies	Principal activities	Place of business/ incorporation	Equity holding as at 31 December 2007	31 December 2008	31 December 2009	30 June 2010	Date of this report
			%	%	%	%	%
Directly held							
耀忠國際(香港)有限公司 Sun Moral International Co. Ltd	Investment holding	Hong Kong	100	100	100	100	100
Indirectly held							
海南四環醫藥有限公司 Hainan Sihuan	Marketing of pharmaceutical products	PRC	100	100	100	100	100
北京四環製藥有限公司 Beijing Sihuan	Manufacturing of pharmaceutical products	PRC	100	100	100	100	100
海南四環醫藥信息有限公司 Hainan Sihuan Information	Information support services	PRC	100	100	100	100	100
海南四環醫藥科技有限公司 Hainan Sihuan Technology	Cooperation of projects with other research companies	PRC	100	100	100	100	100
海南四環心腦血管藥物研究院 Hainan CVD Research	Provision of research and development services	PRC	51	100	100	100	100
深圳四環醫藥有限公司 Shenzhen Sihuan	Marketing of pharmaceutical products	PRC	100	100	100	100	100
山東軒竹醫藥科技有限公司 KBP BioSciences	Research and development of pharmaceutical products	PRC	N/A	60	60	60	60
海南澳合醫藥銷售有限公司 Hainan Ao He	Trading and selling of pharmaceutical products	PRC	N/A	100	100	100	100
廊坊四環高博製藥有限公司 Langfang Sihuan	Manufacturing of pharmaceutical material	PRC	N/A	N/A	51	51	51
北京地澳林醫藥有限公司 Beijing Di Ao Lin	Registration applications of products	PRC	N/A	N/A	N/A	60	60
北京澳合藥物研究院有限公司 Beijing Ao He Research	Provision of research and development services	PRC	N/A	N/A	N/A	100	100
北京高端偉業醫藥科技有限公司 Gao Duan Wei Ye	Cooperation with other research companies	PRC	N/A	N/A	N/A	60	60

No statutory audited financial statements have been prepared for the above subsidiaries as it is not required by the local regulators, except for the following companies for the corresponding financial years:

	Statutory auditors Year ended 31 December		
Name of companies	**2007**	**2008**	**2009**
Hainan Sihuan Pharmaceutical Co., Ltd	海南惟信會計師事務所 Hainan Weixin Certified Public Accountants Co., Ltd	海南惟信會計師事務所 Hainan Weixin Certified Public Accountants Co., Ltd	海南惟信會計師事務所 Hainan Weixin Certified Public Accountants Co., Ltd
Sun Moral International Co., Ltd.	N/A	PricewaterhouseCoopers Zhong Tian CPAs Limited Company	PricewaterhouseCoopers Zhong Tian CPAs Limited Company

The names of certain of the companies referred to in the financial information represent management's translation of the Chinese names of these companies into English as no English names have been registered or are available for these companies.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 *Basis of preparation*

The financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial information has been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of the financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 4.

Changes in accounting policy and disclosures

Standard that is relevant to the Group but not yet effective and has not been early adopted by the Group.

IFRS 9, 'Financial Instruments' (effective from 1 January 2013). Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and

the contractual cash flow characteristics of the instrument. Dividends are to be presented in the statement of comprehensive income, as long as they represent a return on investment. The Group did not early adopt IFRS 9 during the Relevant Periods. It is not expected to have a material impact on the Group's financial information.

2.2 ***Consolidation***

(a) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. 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 de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) *Transactions with non-controlling interests*

Prior to 31 December 2009, the Group applied a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recognised in the statement of comprehensive income. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the Group's incremental share of the carrying value of identifiable net assets of the subsidiary.

From 1 January 2010, the Group treats transactions with non-controlling interest as transactions with equity holders of the company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Associates*

Associates are all entities over which the Group has significant influence, but not control, and generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. The Group's investments in associates are accounted for in the financial information using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See Note 2.8 for the impairment of non-financial assets including goodwill.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Dilution gains and losses arising from investments in associated companies are recognised in the statement of comprehensive income.

2.3 ***Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.4 ***Foreign currency translation***

(a) *Functional and presentation currency*

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial information is presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance (costs) / income — net'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains/(losses) — net'.

2.5 ***Property, plant and equipment***

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

	Estimated useful lives
Buildings	10 - 35 years
Production and electronic equipment	3 - 10 years
Office equipment	3 - 10 years
Motor vehicles	4 - 10 years

Construction in progress represents properties and plant under construction and is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until the relevant assets are completed and put into operational use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/(losses) — net' in the statement of comprehensive income.

2.6 ***Intangible assets***

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) *Research and development*

(i) Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense in the period in which it is incurred. Expenditure on development activities (relating to the design and testing of new or improved products) is capitalised under the category of "product development in progress" if the product or process is technically and commercially feasible, the Group has sufficient resources and the intention to complete the development, and if the cost can be reliably measured. Upon the commencement of the commercial production of a product, the expenditure on development activities is transferred to "deferred development costs" and amortised on a straight-line basis over the period of its expected benefit. Research and development costs comprise costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities.

(ii) Deferred development costs that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation and impairment losses.

(iii) Subsequent expenditure on development activities after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

(iv) Amortisation of deferred development costs is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of 5 to 10 years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in the statement of comprehensive income when the changes arise.

(c) *Contractual customer relationships*

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 5 years of the customer relationship.

2.7 ***Land use right***

Land use right is up-front payments to acquire long-term interests in the usage of land. It is stated at cost and charged to the statement of comprehensive income over the remaining period of the lease on a straight-line basis, net of any impairment losses.

2.8 ***Impairment of investments in subsidiaries, associates and non-financial assets***

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.9 ***Financial assets***

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

(b) *Recognition and measurement*

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

2.10 ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises research and development costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 ***Trade and other receivables***

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 ***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.13 ***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 ***Trade payables***

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 ***Borrowings***

Borrowings are initially recognised at fair value which are determined at the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate, and then subsequently stated at amortised cost.

2.16 ***Current and deferred income tax***

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associate, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 ***Employee benefits***

The Group participates in the retirement insurance and medical insurance scheme organised by the local social security bureau pursuant to the relevant provisions. The Group is required to make monthly contribution in respect of the above insurance scheme to the local social security bureau based on the monthly salaries of its employees. The Group has no further liabilities other than the above defined contribution. The Group's contributions under the scheme are charged to the statement of comprehensive income.

2.18 ***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 the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants are recognised in the statement of comprehensive income as part of other gain.

2.19 ***Revenue recognition***

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Sales of goods*

The Group manufactures and sells a range of pharmaceutical products in the wholesale market. Sales of goods are recognised when a group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) *Sales of services*

The Group provides processing service to third parties. Service income is recognised when the service is rendered.

(c) *Interest income*

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2.20 ***Operating leases***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.21 ***Dividend distribution***

Dividend distribution to the Company's shareholders is recognised as a liability in the financial information in the period in which the dividends are approved. Final dividends are approved by the Company's shareholders and interim dividends are approved by the Company's directors.

3. Financial risk management

3.1 *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Market risk*

(i) Foreign exchange risk

The functional currency of the Company and its subsidiaries is RMB. All of the revenues of the Group are derived from operations in the PRC. The financial instruments of the Group are mainly denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The main foreign currency denominated assets of the Group were certain cash and cash equivalents which were denominated in Singapore Dollars ("SGD"), United States Dollars ("USD") and Hong Kong Dollars ("HKD") as disclosed in Note 14. In the opinion of the directors, the Group does not have significant exposure to foreign exchange risk.

(ii) Price risk

The Group is not exposed to any significant equity market risk, nor exposed to any commodity price risk.

(iii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Apart from cash and cash equivalents, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Fluctuation of market rates does not have significant impact to the operating cash flows.

The financial assets and liabilities of the Group are non-interest bearing except for cash and cash equivalents as set out in the table below, categorised by the earlier of contractual repricing or maturity dates.

	Interest bearing at variable rates Less than 3 months	Non-interest bearing	Total
	RMB'000	RMB'000	RMB'000
At 31 December 2007			
Cash and cash equivalents	262,231	149	262,380
At 31 December 2008			
Cash and cash equivalents	331,044	134	331,178
At 31 December 2009			
Cash and cash equivalents	612,786	73	612,859
At 30 June 2010			
Cash and cash equivalents	620,215	163	620,378

(b) *Credit risk*

Credit risk arises from cash and cash equivalents, trade receivables, other receivables and the amounts due from holding company.

All the cash equivalents and short-term bank deposits are placed with state-owned financial institutions in the PRC and high-quality international financial institutions outside the PRC. There was no recent history of default of cash equivalents and bank deposits with initial term of over three months in relation to these financial institutions.

In relation to trade receivables, the Group has no significant concentrations of credit risk and has policies in place to ensure that certain cash advance has been received upon the agreement of the related sales orders with customers. For those with credit period grant, the credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. It also undertakes certain monitoring procedures to ensure that proper follow-up action is taken to recover overdue debts. The Group regularly performs ageing analysis, assesses credit risks and estimates the recoverability of groups of trade receivables bearing similar credit risk based on historical data and cash collection history.

In relation to other receivables, the credit quality of the debtors is assessed by taking into account their financial position, relationship with the Group, credit history and other factors. Management will also regularly reviews the recoverability about of these other receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the default by counterparties is low.

In relation to amounts due from holding company, the directors are of the opinion that credit risk is limited and no default is expected.

No other financial assets bear a significant exposure to credit risk.

(c) *Liquidity risk*

Prudent liquidity management implies maintaining sufficient cash. The Group maintains sufficient cash balances to provide flexibility in meeting its day to day funding requirements.

The Group had net current assets of RMB 800,271,000, which included cash and cash equivalents of RMB 620,378,000 as at 30 June 2010. The directors are of the opinion that the Group maintains an adequate liquidity reserve.

The table below analyses the Group's and the Company's financial liabilities that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Group	Company
	Less than 1 year	Less than 1 year
	RMB'000	RMB'000
At 31 December 2007		
Trade and other payables	55,155	14,911
Borrowings	12,000	—
	67,155	14,911
At 31 December 2008		
Trade and other payables	68,747	17,908
At 31 December 2009		
Trade and other payables	70,856	22,307
At 30 June 2010		
Trade and other payables	75,414	30,991

3.2 ***Capital risk management***

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new equity or sell assets to reduce debt.

The Group has sufficient cash and did not have any borrowing as at 30 June 2010. The directors are of the opinion that the Group does not have significant capital risk.

3.3 ***Fair value estimation***

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as estimated discounted cash flows. The Group uses its judgment to select a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade and other receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group does not have any financial instruments that are measured at fair value as at 30 June 2010.

4. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) ***Deferred development costs and product development in progress***

The Group's management determines the estimated future cash flows of each pharmaceutical patent or licence for capitalisation of development costs. This estimate is based on projected product lifecycles for the pharmaceutical industry.

It could change significantly as a result of medicine innovations and competitor actions in response to industry cycles. Management will recognise impairment loss on the capitalised development costs when future cash flows are less than expectation and fall below the amount of related development costs.

If the estimated future cash flows had been 10% lower than management's estimates as at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group would have recognised an impairment loss on the development costs of approximately RMB 826,000, RMB 325,000, RMB 530,000 and RMB678,000 respectively and would need to reduce the carrying value of development costs by approximately RMB 826,000, RMB 325,000, RMB 530,000 and RMB678,000, respectively.

(b) ***Goodwill impairment test***

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired in accordance with accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

An impairment charge of goodwill for KBP BioSciences of RMB 35,117,000 was made for the year ended 31 December 2009 and the goodwill for KBP BioSciences has been fully impaired.

The carrying amounts of goodwill as at 31 December 2007, 2008 and 2009 and 30 June 2010 were RMB 12,130,000, RMB 49,107,000, RMB 13,990,000 and RMB15,933,000, respectively. Details of the estimates used to calculate the recoverable amounts are provided in Note 7.

(c) ***Useful lives and residual value of property, plant and equipment***

The estimate of useful lives and residual value of property, plant and equipment was made by the directors with reference to the established industry practices, technical assessments made on the durability of the assets, as well as the historical magnitude and trend of repair and maintenance expenses incurred by the Group. It could change significantly as a result of technical innovations and competitor actions in responses to severe industry cycles. Management will increase the depreciation charge where useful lives and residual value are less than previously estimated lives and residual value, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) ***Deferred taxation***

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5. Segment information

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The board of directors considers the business from product perspective. The Group is engaged in only one business segment, the manufacture and sale of pharmaceutical products.

6. Property, plant and equipment - the Group

	Buildings	Production and electronic equipment	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007						
Cost	48,189	14,757	1,622	5,605	4,056	74,229
Accumulated depreciation	(14,978)	(4,611)	(652)	(996)	—	(21,237)
Net book amount	33,211	10,146	970	4,609	4,056	52,992
Year ended 31 December 2007						
Opening net book amount	33,211	10,146	970	4,609	4,056	52,992
Acquisition of a subsidiary (Note 29)	80	—	335	93	—	508
Additions	1,150	4,761	593	1,534	22,801	30,839
Transfer between categories	2,471	—	—	—	(2,471)	—
Disposals	—	—	—	(302)	—	(302)
Depreciation charge	(2,733)	(1,699)	(327)	(603)	—	(5,362)
Closing net book amount	34,179	13,208	1,571	5,331	24,386	78,675
At 31 December 2007						
Cost	51,890	19,518	2,550	6,530	24,386	104,874
Accumulated depreciation	(17,711)	(6,310)	(979)	(1,199)	—	(26,199)
Net book amount	34,179	13,208	1,571	5,331	24,386	78,675
Year ended 31 December 2008						
Opening net book amount	34,179	13,208	1,571	5,331	24,386	78,675
Acquisition of a subsidiary (Note 29)	16,547	478	18	477	—	17,520
Additions	3,864	3,375	1,156	2,630	18,427	29,452
Transfer between categories	18,136	1,451	493	—	(20,080)	—
Disposals	—	(30)	—	—	—	(30)
Depreciation charge	(4,354)	(2,551)	(545)	(880)	—	(8,330)
Closing net book amount	68,372	15,931	2,693	7,558	22,733	117,287

	Buildings	Production and electronic equipment	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2008						
Cost	92,740	25,018	4,431	9,646	22,733	154,568
Accumulated depreciation	(24,368)	(9,087)	(1,738)	(2,088)	—	(37,281)
Net book amount	68,372	15,931	2,693	7,558	22,733	117,287
Year ended 31 December 2009						
Opening net book amount	68,372	15,931	2,693	7,558	22,733	117,287
Additions	31,069	6,849	1,317	1,548	15,894	56,677
Transfer between categories	—	—	874	—	(874)	—
Disposals	(21)	(185)	(28)	—	—	(234)
Depreciation charge	(6,458)	(3,398)	(922)	(916)	—	(11,694)
Closing net book amount	92,962	19,197	3,934	8,190	37,753	162,036
At 31 December 2009						
Cost	123,681	30,631	6,220	11,194	37,753	209,479
Accumulated depreciation	(30,719)	(11,434)	(2,286)	(3,004)	—	(47,443)
Net book amount	92,962	19,197	3,934	8,190	37,753	162,036
Six months ended 30 June 2010						
Opening net book amount	92,962	19,197	3,934	8,190	37,753	162,036
Acquisition of a subsidiary (Note 29)	—	10	—	—	—	10
Additions	683	10,347	731	1,794	5,025	18,580
Transfer between categories	31,537	187	3	—	(31,727)	—
Disposals	—	(4)	—	(46)	—	(50)
Depreciation charge	(3,893)	(2,280)	(435)	(841)	—	(7,449)
Closing net book amount	121,289	27,457	4,233	9,097	11,051	173,127
At 30 June 2010						
Cost	155,901	41,152	6,954	12,917	11,051	227,975
Accumulated depreciation	(34,612)	(13,695)	(2,721)	(3,820)	—	(54,848)
Net book amount	121,289	27,457	4,233	9,097	11,051	173,127

Depreciation charge of the Group was included in the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of sales	3,525	4,067	4,017	2,032	1,875
Distribution costs	17	32	23	10	13
Administrative expenses	1,820	4,231	7,654	4,630	5,561
	5,362	8,330	11,694	6,672	7,449

7. Intangible assets - the Group

	Goodwill	Customer relationship	Deferred development costs	Product development in progress	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007						
Cost	294	—	30,151	57,186	1,222	88,853
Accumulated amortisation	—	—	(17,644)	—	(146)	(17,790)
Net book amount	294	—	12,507	57,186	1,076	71,063
Year ended 31 December 2007						
Opening net book amount	294	—	12,507	57,186	1,076	71,063
Acquisition of a subsidiary (Note 29)	11,836	28,000	33,000	—	—	72,836
Additions	—	—	230	55,697	—	55,927
Transfer	—	—	494	(494)	—	—
Impairment charge (b)	—	—	—	(930)	—	(930)
Amortisation charge	—	(1,400)	(7,150)	—	(98)	(8,648)
Closing net book amount	12,130	26,600	39,081	111,459	978	190,248
At 31 December 2007						
Cost	12,130	28,000	63,875	112,389	1,222	217,616
Accumulated amortisation	—	(1,400)	(24,794)	—	(244)	(26,438)
Impairment	—	—	—	(930)	—	(930)
Net book amount	12,130	26,600	39,081	111,459	978	190,248

	Goodwill	Customer relationship	Deferred development costs	Product development in progress	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2008						
Opening net book amount	12,130	26,600	39,081	111,459	978	190,248
Acquisition of subsidiaries (Note 29)	36,977	—	—	31,000	—	67,977
Additions	—	—	9,089	5,280	255	14,624
Reclassification to other receivables (a)	—	—	—	(6,000)	—	(6,000)
Transfer	—	—	125	(125)	—	—
Write-off	—	—	—	(1,535)	—	(1,535)
Impairment charge (b)	—	—	(2,800)	(20,005)	—	(22,805)
Amortisation charge	—	(5,600)	(11,008)	—	(510)	(17,118)
Closing net book amount	49,107	21,000	34,487	120,074	723	225,391
At 31 December 2008						
Cost	49,107	28,000	73,089	141,009	1,477	292,682
Accumulated amortisation	—	(7,000)	(35,802)	—	(754)	(43,556)
Impairment	—	—	(2,800)	(20,935)	—	(23,735)
Net book amount	49,107	21,000	34,487	120,074	723	225,391
Year ended 31 December 2009						
Opening net book amount	49,107	21,000	34,487	120,074	723	225,391
Additions	—	—	540	6,724	1,031	8,295
Transfer	—	—	1,965	(1,965)	—	—
Write-off	—	—	—	—	(238)	(238)
Impairment charge (b)	(35,117)	—	1,737	(46,881)	—	(80,261)
Amortisation charge	—	(5,600)	(9,971)	—	(155)	(15,726)
Closing net book amount	13,990	15,400	28,758	77,952	1,361	137,461
At 31 December 2009						
Cost	49,107	28,000	75,594	145,768	2,253	300,722
Accumulated amortisation	—	(12,600)	(45,773)	—	(892)	(59,265)
Impairment	(35,117)	—	(1,063)	(67,816)	—	(103,996)
Net book amount	13,990	15,400	28,758	77,952	1,361	137,461
Six months ended 30 June 2010						
Opening net book amount	13,990	15,400	28,758	77,952	1,361	137,461
Acquisition of subsidiaries (Note 29)	1,943	—	—	—	—	1,943
Additions	—	—	10,000	9,897	225	20,122
Amortisation charge	—	(2,800)	(5,777)	—	(132)	(8,709)
Closing net book amount	15,933	12,600	32,981	87,849	1,454	150,817

	Goodwill	Customer relationship	Deferred development costs	Product development in progress	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 30 June 2010						
Cost	51,050	28,000	85,594	155,665	2,478	322,787
Accumulated amortisation	—	(15,400)	(51,550)	—	(1,024)	(67,974)
Impairment	(35,117)	—	(1,063)	(67,816)	—	(103,996)
Net book amount	15,933	12,600	32,981	87,849	1,454	150,817

Notes:

(a) In 2007, the Group paid a cash of RMB 6,000,000 to an independent pharmaceutical company for a pharmaceutical product development project, which was capitalised as product development in progress under intangible asset. Subsequently in 2008, management further entered into arrangement with this pharmaceutical company for change in business alliance in respect of this product development project, such that the counterparty will retain the intellectual property right of this product and that the amount paid was altered to a deposit for a nationwide exclusive distribution right for that product. Accordingly, the amount previously capitalised intangible asset was reclassified to deposit under other receivable in 2008.

(b) The deferred development costs and product development in progress mainly represents the acquisition of certain pharmaceutical development projects acquired from external research institutions. The value in use model is used for the impairment assessment by the management of the Group. Certain deferred development costs and product development in progress was impaired when either the application of pharmaceutical properties was rejected by the government authority or the respective development cost was expected to be higher than the recoverable amount.

KBP BioSciences is engaged in research and development of pharmaceutical products and the future cash flow projections mainly related to the cash flows for the sales of the pharmaceutical products propriety rights and patents. The impairment charge of goodwill arose in KBP BioSciences for the year ended 31 December 2009 due to some of the development projects for pharmaceutical products were stopped after management's assessment based on the recent developments of the markets and the related PRC rules and regulations governing the pharmaceutical industry. Following this decision, the Group also made a full impairment of the product development in progress of RMB 12,000,000 related to these pharmaceutical products. No other class of assets other than goodwill and deferred development cost in KBP BioSciences were impaired.

Other intangible assets mainly comprise trademark, licenses and software.

Amortisation charge of the Group was included in the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of sales	7,150	11,008	9,971	5,687	5,777
Administrative expenses	1,498	6,110	5,755	2,878	2,932
	8,648	17,118	15,726	8,565	8,709

Goodwill is allocated to the Group's cash-generating units ("CGUs"). A summary of the goodwill allocation is presented below.

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Beijing Sihuan	294	294	294	294
Shenzhen Sihuan and Hainan Ao He Company	11,836	13,696	13,696	13,696
KBP BioSciences	—	35,117	—	—
Gao Duan Wei Ye	—	—	—	1,943
	12,130	49,107	13,990	15,933

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the pharmaceutical business in which the CGU operates.

The key assumptions used for value-in-use calculations were as follows:

	Shenzhen Sihuan and Hainan Ao He Company	Beijing Sihuan	KBP BioSciences	Gao Duan Wei Ye
As at 31 December 2007				
Revenue growth rate	48%	46%	N/A	N/A
Gross profit margin	37%	12%	N/A	N/A
Post-tax discount rate	15%	15%	N/A	N/A
As at 31 December 2008				
Revenue growth rate	44%	41%	50%	N/A
Gross profit margin	37%	12%	48%	N/A
Post-tax discount rate	15%	15%	30%	N/A
As at 31 December 2009				
Revenue growth rate	45%	40%	N/A	N/A
Gross profit margin	37%	12%	N/A	N/A
Post-tax discount rate	15%	15%	N/A	N/A
As at 30 June 2010				
Revenue growth rate	31%	37%	N/A	N/A
Gross profit margin	37%	12%	N/A	N/A
Post-tax discount rate	15%	15%	N/A	N/A

These assumptions were used for the analysis of each CGU within the operating segment.

Management determined budgeted gross margin based on past performance and their expectations of market development. The revenue average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant subsidiaries.

8. Land use rights - the Group

	RMB'000
At 1 January 2007	
Cost	7,982
Accumulated amortisation	(1,024)
Net book amount	6,958
Year ended 31 December 2007	
Opening net book amount	6,958
Amortisation charge	(382)
Closing net book amount	6,576
At 31 December 2007	
Cost	7,982
Accumulated amortisation	(1,406)
Net book amount	6,576
Year ended 31 December 2008	
Opening net book amount	6,576
Acquisition of a subsidiary (Note 29)	10,600
Amortisation charge	(942)
Closing net book amount	16,234
At 31 December 2008	
Cost	18,582
Accumulated amortisation	(2,348)
Net book amount	16,234

	RMB'000
Year ended 31 December 2009	
Opening net book amount	16,234
Addition	3,738
Amortisation charge	(1,129)
Closing net book amount	18,843
At 31 December 2009	
Cost	22,320
Accumulated amortisation	(3,477)
Net book amount	18,843
Six months ended 30 June 2010	
Opening net book amount	18,843
Amortisation charge	(564)
Closing net book amount	18,279
At 30 June 2010	
Cost	22,320
Accumulated amortisation	(4,041)
Net book amount	18,279

The land use rights represent land use rights in the PRC with a lease period of 50 years.

9. Interest in an associated company - Group

	RMB'000
Balance at 1 January 2007 and 2008	—
Acquisition of an associated company	50,715
Share of profit of an associated company	10,427
Balance at 31 December 2008 and 1 January 2009	61,142
Share of profit of an associated company	2,357
Disposal of an associated company	(63,499)
Balance at 31 December 2009 and 30 June 2010	—

On 15 May 2008, the Group acquired 45% of the issued share capital of Beijing Purenhong Pharmaceutical Co., Ltd ("Beijing Purenhong") for a cash consideration of RMB 50,715,000 out of which RMB 15,000,000 was prepaid in 2007 (Note 11).

Included in the Group's carrying amount of interest in an associated company is goodwill on acquisition of RMB 19,231,000, which is attributable to the workforce and the synergies expected to arise after the acquisition.

On 25 March 2009, the Group disposed of its 45% equity interest in Beijing Purenhong for a cash consideration of RMB 101,700,000. The net gain from the disposal amounting to RMB 38,201,000 has been credited to 'Other gains/(losses) — net' (Note 20) in the statement of comprehensive income.

The results of the associated company, which is unlisted, for 2008 and its assets and liabilities as at 31 December 2008 are as follows:

Name	Country of incorporation	Principal activities	Assets	Liabilities	Revenues	Profit	% interest held
			RMB'000	RMB'000	RMB'000	RMB'000	
Beijing Purenhong	PRC	Distribution of pharmaceutical products	476,851	395,735	1,036,068	31,649	45%

10. Investments in subsidiaries - the Company

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares	208,617	208,617	208,617	208,617

Refer to Note 1 for the particulars of subsidiaries of the Company.

11. Other non-current assets - the Group

These amounts for the Group in 2007 represented RMB 30,000,000 prepaid consideration for the acquisition of KBP BioSciences (Note 29) and RMB 15,000,000 prepaid consideration for the acquisition of an associated company — Beijing Purenhong (Note 9). These acquisitions were completed in April 2008 and May 2008, respectively.

12. Inventories - the Group

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	8,267	7,761	17,876	13,851
Work in progress	936	1,100	4,235	3,787
Finished goods	13,750	30,534	20,856	31,660
	22,953	39,395	42,967	49,298

The cost of inventories recognised as expense and included in "cost of sales" for the year ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 was RMB 50,251,000, RMB 113,702,000, RMB 170,885,000, RMB 77,556,000 and RMB 112,030,000, respectively.

13. Trade and other receivables

	Group				Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables — third parties	3,119	4,228	2,542	2,989	—	—	—	—
Less: provision for impairment of trade receivables	(138)	(138)	(138)	(138)	—	—	—	—
Trade receivables — net	2,981	4,090	2,404	2,851	—	—	—	—
Prepayments to suppliers	6,289	27,202	63,878	87,001	—	—	—	—
Deposits and other receivables	15,444	40,132	42,850	46,728	—	390	379	701
Amounts due from holding company	—	—	—	173,939	—	—	—	1,238
Amount receivable from disposal of an associated company	—	—	32,000	—	—	—	—	—
Amounts due from subsidiaries	—	—	—	—	27,002	35,959	34,670	33,952
	24,714	71,424	141,132	310,519	27,002	36,349	35,049	35,891

The fair values of trade and other receivables approximate their carrying amounts and all of the trade and other receivables are denominated in RMB.

Amount due from holding company represents the amount due from China Pharma in relation to a fund transfer by the Group to China Pharma for a proposed dividend distribution plan. This amount has been fully settled on 8 October 2010 by way of dividend distribution by the Company and set-off arrangements with China Pharma (Section III).

The credit quality of financial assets that are neither past due nor impaired are assessed by making reference to historical information about default rates, reputation, liquidity and other financial information of the counterparties.

The Group's credit terms granted to customers ranged from one to six months. Trade receivables that are less than 12 months are not considered impaired. The ageing analysis of trade receivables is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	2,795	3,868	2,160	2,627
3 to 6 months	68	35	56	60
6 to 12 months	53	123	113	54
More than 12 months	203	202	213	248
	3,119	4,228	2,542	2,989

As at 31 December 2007, 2008 and 2009 and 30 June 2010, trade receivables of RMB 186,000, RMB 222,000, RMB 244,000 and RMB 224,000 were past due but not impaired. These relate to a number of independent wholesalers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
3 to 6 months	68	35	56	60
6 to 12 months	53	123	113	54
More than 12 months	65	64	75	110
	186	222	244	224

As at 31 December 2007, 2008 and 2009 and 30 June 2010, trade receivables of RMB 138,000, RMB 138,000, RMB 138,000 and RMB 138,000 were impaired and a provision of RMB 138,000, RMB 138,000, RMB 138,000 and RMB 138,000 was made. The individual impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. The aging of these receivables is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
More than 12 months	138	138	138	138

Movements on the Group's provision for impairment of trade receivables are as follows:

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of year/period	111	138	138	138
Provision for impairment	27	—	—	—
End of year/period	138	138	138	138

The creation and release of provision for impaired receivables have been included in administrative expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Trade and other receivables other than trade receivables and amount receivable from disposal of an associated company do not contain impaired assets, have no fixed repayment term and bear no interest.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

14. Cash and cash equivalents

	Group				Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	149	134	73	163	—	—	—	—
Short-term bank deposits	262,231	181,044	572,786	456,215	82,244	49,396	26,258	19,880
Other cash and cash equivalents	—	150,000	40,000	164,000	—	—	—	—
	262,380	331,178	612,859	620,378	82,244	49,396	26,258	19,880

Other cash and cash equivalents represent short-term highly liquid investments placed with a PRC bank. The effective annual interest rate for the year ended 31 December 2008, 2009 and six months ended 30 June 2010 was 1.63%, 1.85% and 2.74%, respectively.

Cash and cash equivalents are denominated in the following currencies:

	Group				Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RMB	180,136	281,782	586,555	595,345	—	—	—	—
SGD	82,226	49,380	11,648	7,119	82,226	49,380	11,602	7,098
USD	—	—	13,859	17,700	—	—	13,859	12,568
HKD	18	16	797	214	18	16	797	214
	262,380	331,178	612,859	620,378	82,244	49,396	26,258	19,880

The effective annual interest rate on short-term bank deposits with original maturities less than three months for the year ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010 was 0.25%, 0.99%, 0.81%, and 0.97%, respectively.

15. Share capital and share premium - the Group and the Company

	Number of authorised shares	Authorised share capital	Number of issued and fully paid shares	Share capital	Share premium	Total share capital and share premium
	'000	USD'000	'000	RMB'000	RMB'000	RMB'000
As at 1 January 2007	12,000	12,000	7,500	54,413	—	54,413
Subdivision of authorised and issued share	588,000	—	367,500	—	—	—
Shares issued	—	—	95,000	14,849	193,338	208,187
Share issuance expenses	—	—	—	—	(10,429)	(10,429)
As at 31 December 2007, 2008, 2009 and 30 June 2010	600,000	12,000	470,000	69,262	182,909	252,171

The Company was incorporated in Bermuda on 26 April 2006 under the Bermuda Companies Act as an exempted company with an authorised share capital of US$12,000, comprising 12,000 ordinary shares of par value US$1 each.

On 6 December 2006, the Company's shareholder at that time, and before its initial public offering, approved the increase in the authorised share capital of the Company to US$12,000,000 comprising 12,000,000 ordinary shares of par value US$1 each, as well as the allotment and issue of 7,488,000 ordinary shares of par value US$1 each credited as fully paid.

On 7 February 2007, the Company's shareholder approved the sub-division of every one ordinary share of US$1 each in the authorised and issued share capital of the Company into 50 shares. The resulting authorised share capital of the Company was US$12,000,000 divided into 600,000,000 ordinary shares of US$0.02 each and the resulting issued share capital was US$7,500,000 divided into 375,000,000 ordinary shares of US$0.02 each.

On 13 March 2007, the Company issued 95,000,000 ordinary shares for a total cash consideration of RMB 208,187,000 as part of the initial public offering in SGX-ST. The newly issued shares rank pari passu in all respects with the previously issued shares. Upon this share issuance, the resulting issued and fully paid-up share capital of the Company was US$9,400,000, divided into 470,000,000 ordinary shares of US$0.02 each.

16. Other reserves and retained earnings/(accumulated losses) - the Group and the Company

Group

	Reserve fund	Retained earnings	Total
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2007	24,775	68,601	93,376
Profit for the year	—	179,266	179,266
Transfer from retained earnings	20,851	(20,851)	—
Balance at 31 December 2007 and 1 January 2008	45,626	227,016	272,642
Profit for the year	—	237,059	237,059
Dividends	—	(60,656)	(60,656)
Transfer from retained earnings	29,629	(29,629)	—
Balance at 31 December 2008 and 1 January 2009	75,255	373,790	449,045
Profit for the year	—	326,316	326,316
Dividends	—	(120,029)	(120,029)
Transfer from retained earnings	34,330	(34,330)	—
Balance at 31 December 2009 and 1 January 2010	109,585	545,747	655,332
Profit for the period	—	254,849	254,849
Balance at 30 June 2010	109,585	800,596	910,181
Unaudited			
Balance at 1 January 2009	75,255	373,790	449,045
Profit for the period	—	119,594	119,594
Dividends	—	(71,558)	(71,558)
Balance at 30 June 2009	75,255	421,826	497,081

Company

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Retained earnings/(accumulated losses):					
Beginning of the year/period	(1,097)	50,781	24,283	24,283	(4,554)
Profit/(loss) for the year/period	51,878	34,158	91,192	49,616	(14,220)
Dividends	—	(60,656)	(120,029)	(71,588)	—
End of the year/period	50,781	24,283	(4,554)	2,311	(18,774)

The Company's subsidiaries in the PRC are required to follow the laws and regulations of the PRC and their respective articles of association. These subsidiaries are required to allocate at least 10% of their net profits for each financial year to the reserve fund until the balance of such fund has reached 50% of their respective registered capital. The reserve fund can only be used, upon approval by the shareholders' meeting or similar authorities, to offset accumulated losses or increase capital. The reserves fund is not available for distribution to shareholders (except on liquidation).

17. Trade and other payables

	Group				Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	8,859	4,187	12,675	8,526	—	—	—	—
Accrued expenses	2,250	2,938	1,370	33	1,194	837	280	—
Advances from customers	13,671	20,804	49,535	18,847	—	—	—	—
Value added tax payables	3,959	7,157	8,652	18,635	—	—	—	—
Amount payable for the acquisition of Shenzhen Sihuan	12,000	6,000	—	—	—	—	—	—
Accrued performance bonus to directors	3,690	7,044	12,000	20,950	3,690	7,044	12,000	20,950
Amount due to a director	—	2,354	—	—	—	—	—	—
Other payables	24,397	39,067	36,159	27,270	—	—	—	14
Amount due to a subsidiary	—	—	—	—	10,027	10,027	10,027	10,027
	68,826	89,551	120,391	94,261	14,911	17,908	22,307	30,991

Amount due to a director and a subsidiary are unsecured, interest-free and have no fixed terms of repayment.

The fair values of trade and other payables approximate their carrying amounts and the Group's trade and other payables are denominated in RMB.

The ageing analysis of the trade payables is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	6,678	3,034	10,800	7,445
6 to 12 months	1,631	6	645	—
More than 12 months	550	1,147	1,230	1,081
	8,859	4,187	12,675	8,526

18. Borrowings - Group

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Other borrowing	12,000	—	—	—

Other borrowing as at 31 December 2007 was lent from a third party and was denominated in RMB, unsecured, interest-free and had no fixed repayment term. It was fully repaid in 2008.

19. Deferred income tax - Group

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets				
- to be recovered within 1 year	—	—	58,144	40,937
Deferred income tax liabilities				
- to be recovered within 1 year	(8,474)	(9,031)	(22,469)	(4,584)
- to be recovered after 1 year	(1,740)	(9,966)	(7,526)	(6,177)
	(10,214)	(18,997)	(29,995)	(10,761)
Deferred income tax (liabilities)/ assets (net)	(10,214)	(18,997)	28,149	30,176

The net movements on the deferred income tax account are as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Beginning of year/period	(683)	(10,214)	(18,997)	(18,997)	28,149
Acquisition of a subsidiary (Note 29)	(9,561)	(4,194)	—	—	—
Credited/(charged) to income statement (Note 24)	30	(4,589)	47,146	(2,089)	2,027
End of year/period	(10,214)	(18,997)	28,149	(21,086)	30,176

The movement in deferred income tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities

	Fair value gain	Withholding tax of the unremitted earnings of a PRC subsidiary	Total
	RMB'000	RMB'000 (Note)	RMB'000
At 1 January 2007	683	—	683
Acquisition of a subsidiary (Note 29)	9,561	—	9,561
Credited to income statement (Note 24)	(30)	—	(30)
At 31 December 2007	10,214	—	10,214
At 1 January 2008	10,214	—	10,214
Acquisition of a subsidiary (Note 29)	4,194	—	4,194
(Credited)/charged to income statement (Note 24)	(2,156)	6,745	4,589
At 31 December 2008	12,252	6,745	18,997
At 1 January 2009	12,252	6,745	18,997
(Credited)/charged to income statement (Note 24)	(2,287)	13,285	10,998
At 31 December 2009	9,965	20,030	29,995
At 1 January 2010	9,965	20,030	29,995
Credited to income statement (Note 24)	(1,234)	(18,000)	(19,234)
At 30 June 2010	8,731	2,030	10,761

Note: Pursuant to Detailed Implementation Regulations ("DIR") for implementation of the new Corporate Income Tax Law issued on 6 December 2007, a 10% withholding tax is levied on the dividends declared by the companies established in the PRC to their foreign investors starting from 1 January 2008. All dividends coming from the profits generated by the companies after 1 January 2008 are subject to this withholding tax.

As at 31 December 2008 and 2009 and 30 June 2010, the Group recognised relevant deferred tax liabilities of RMB 6,745,000, RMB 20,030,000 and RMB 2,030,000, respectively, on the earnings anticipated to be remitted by a PRC subsidiary in the foreseeable future. As at 31 December 2008 and 2009 and 30 June 2010, no withholding tax has been provided for the earnings of approximately RMB 166,007,000, RMB 279,368,000 and RMB 306,486,000 expected to be retained by the PRC subsidiaries and not to be remitted out of the PRC in the foreseeable future based on management's estimated requirement for funding outside the PRC.

Deferred income tax assets

	Unrealised profit of intra-group sales
	RMB'000
At 1 January 2007, 2008 and 2009	—
Credited to income statement (a) (Note 24)	58,144
At 31 December 2009	58,144
At 1 January 2010	58,144
Charged to income statement (Note 24)	(17,207)
At 30 June 2010	40,937

Note:

(a) The amount arose from the unrealised profit in respect of the intra-group sales between Beijing Sihuan and Hainan Sihuan.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. Due to the fact that the directors are not certain on whether future taxable profit would be available, the Group did not recognise deferred income tax assets of approximately RMB 1,021,000, RMB 1,550,000, RMB 7,365,000 and 6,055,000 in respect of tax losses amounting to RMB 4,084,000, RMB 6,200,000, RMB 29,459,000 and RMB 24,219,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively that can be carried forward to offset against future taxable income. Losses amounting to RMB 4,084,000, RMB 6,200,000, RMB 29,219,000 and RMB 24,219,000 will expire in 2012, 2013, 2014 and 2015, respectively.

20. Revenue and other gains/(losses) - net

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue:					
Sales of pharmaceutical products	286,349	510,048	708,907	322,394	473,437
Other gains/(losses) — net:					
Processing fee income	3,717	3,149	4,393	1,458	945
Government grants	6,969	12,076	19,453	9,577	18,226
Impairment of intangible assets (Note 7)	(930)	(22,805)	(80,261)	(80,261)	—
Gain on disposal of an associated company (Note 9)	—	—	38,201	38,201	—
Gain on sale of equity investments	13,252	—	—	—	—
Write-off of intangible assets (Note 7)	—	(1,535)	(238)	—	—
Donation	—	(1,737)	—	—	—
Others	(264)	2,838	2,104	1,874	273
	22,744	(8,014)	(16,348)	(29,151)	19,444

21. Expenses by nature

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Research and development costs					
Research expenses	4,394	8,435	13,697	4,031	9,137
Amortisation of deferred development costs (Note 7)	7,150	11,008	9,971	5,687	5,777
	11,544	19,443	23,668	9,718	14,914
Depreciation of property, plant and equipment (Note 6)	5,362	8,330	11,694	6,672	7,449
Amortisation of land use rights (Note 8)	382	942	1,129	564	564
Amortisation of intangible assets excluding the amortisation of deferred development costs (Note 7)	1,498	6,110	5,755	2,878	2,932
Raw materials used	66,024	130,144	164,342	75,301	122,386
Changes in inventories of finished goods and work in progress	(15,773)	(16,442)	6,543	2,255	(10,356)
Employee benefit expenses (Note 22)	12,734	25,872	37,369	18,578	28,927
Travelling expenses	10,394	10,472	12,478	4,661	6,793
Office expenses	20,083	21,214	27,977	13,023	11,276
Advertising expenses	2,973	4,902	2,060	1,209	536
Transportation expenses	2,399	4,379	5,562	2,375	3,657
Entertainment expenses	2,375	1,974	3,233	1,357	1,928
Operating lease payments	1,378	670	1,882	886	1,019
Consultant expense	—	2,288	4,429	3,459	5,499
Others	741	5,564	11,413	5,670	8,334
Total cost of sales, distribution costs and administrative expenses	122,114	225,862	319,534	148,606	205,858

22. Employee benefit expenses

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages and salaries	11,153	22,141	33,595	16,084	25,417
Contribution to social insurance scheme	771	2,054	2,423	1,426	1,261
Staff welfare	810	1,677	1,351	1,068	2,249
	12,734	25,872	37,369	18,578	28,927

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute fund which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

(b) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31 December 2007 is set out below:

Name of Directors	Fees	Salary	Performance bonuses	Social insurance scheme contribution
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Dr. Che Fengsheng	—	640	1,845	4
Dr. Guo Weicheng	—	377	1,107	—
Mr. Meng Xianhui	—	225	738	—
Non-executive directors:				
Mr. Chong Teck Sin	205	—	—	—
Mr. Ng Cher Yan	205	—	—	—
	410	1,242	3,690	4

The remuneration of every director for the year ended 31 December 2008 is set out below:

Name of Directors	Fees	Salary	Performance bonuses	Social insurance scheme contribution
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Dr. Che Fengsheng	—	750	3,406	4
Dr. Guo Weicheng	—	450	2,044	4
Mr. Meng Xianhui	—	300	1,362	—
Mr. Huang Zhenhua	—	115	—	36
Non-executive directors:				
Mr. Chong Teck Sin	189	—	—	—
Mr. Ng Cher Yan	189	—	—	—
	378	1,615	6,812	44

The remuneration of every director for the year ended 31 December 2009 is set out below:

Name of Directors	Fees	Salary	Performance bonuses	Social insurance scheme contribution
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Dr. Che Fengsheng	—	750	6,000	4
Dr. Guo Weicheng	—	450	3,600	4
Mr. Meng Xianhui	—	300	2,400	—
Mr. Huang Zhenhua (Note (a))	—	48	—	15
Non-executive directors:				
Mr. Chong Teck Sin (Note (b))	286	—	—	—
Mr. Ng Cher Yan (Note (b))	286	—	—	—
	572	1,548	12,000	23

Notes:

(a) Mr. Huang Zhenhua resigned from the board of directors in May 2009.

(b) These non-executive directors resigned in December 2009 after the Company delisted from SGX-ST.

The remuneration of every director for the six months ended 30 June 2010 is set out below:

Name of Directors	Fees	Salary	Performance bonuses	Social insurance scheme contribution
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Dr. Che Fengsheng	—	375	4,475	4
Dr. Guo Weicheng	—	225	2,685	4
Mr. Meng Xianhui	—	150	1,790	—
	—	750	8,950	8

The remuneration of every director for the six months ended 30 June 2009 is set out below:

Name of Directors	Fees	Salary	Performance bonuses	Social insurance scheme contribution
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Executive directors:				
Dr. Che Fengsheng	—	375	3,000	2
Dr. Guo Weicheng	—	225	1,800	2
Mr. Meng Xianhui	—	150	1,200	—
Mr. Huangzhenhua (Note (a))	—	48	—	15
Non-executive directors:				
Mr. Chong Teck Sin (Note (b))	134	—	—	—
Mr. Ng Cher Yan (Note (b))	134	—	—	—
	268	798	6,000	19

Notes:

(a) Mr. Huang Zhenhua resigned from the board of directors in May 2009.

(b) These non-executive directors resigned in December 2009 after the Company delisted from SGX-ST.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended 31 December 2007, 2008 and 2009, and for the six months ended 30 June 2009 and 2010 include 3 directors whose emoluments are reflected in the analysis presented above. The emoluments paid or payable to the remaining 2 individuals for the each of the years ended 31 December 2007, 2008 and 2009, and for the six months ended 30 June 2009 and 2010 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	782	784	868	434	641
Bonuses	11	77	88	44	88
	793	861	956	478	729

The emoluments fell within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
Emolument bands					
Nil - HKD1,000,000	2	2	2	2	2

23. Finance (costs)/income - net

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Finance costs:					
Exchange loss	(3,622)	(3,706)	(493)	(1,053)	(1,039)
Bank charges	(176)	(83)	(99)	(57)	(46)
	(3,798)	(3,789)	(592)	(1,110)	(1,085)
Finance income:					
Interest income	1,271	4,259	6,236	1,287	4,157
	(2,527)	470	5,644	177	3,072

24. Income tax expense

(a) ***Bermuda and British Virgin Islands profits tax***

The Group has not been subject to any taxation in these jurisdictions during the Relevant Periods.

(b) ***Hong Kong and Singapore profits tax***

No Hong Kong or Singapore profits tax has been provided as the Group had no assessable profit arising in Hong Kong and Singapore during the Relevant Periods.

(c) ***PRC corporate income tax ("PRC CIT")***

PRC CIT is provided on the assessable income of the companies now comprising the Group derived from the PRC, adjusted for those items, which are not assessable or deductible for the PRC CIT purposes.

Up to the financial year ended 31 December 2007, the PRC subsidiaries of the Group which are established in the "Hainan Special Economic Zone" and "Shenzhen Special Economic Zone" were subjected to income tax at a rate of 15%, while those established in other areas were subject to income tax at a rate of 33%.

According to an approval issued by the local tax authority, Hainan Sihuan entitled for the preferential policies for its corporate income tax and entitled to a 50% reduction in tax rate for six years starting from the year ended 31 December 2005. Consequently, Hainan Sihuan's income tax for the year ended 31 December 2007 was provided at 7.5%.

With effect from 1 January 2008, the PRC subsidiaries of the Group have determined and paid the corporate income tax in accordance with the Corporate Income Tax Law of the PRC ("new CIT Law"), as approved by the National People's Congress on 16 March 2007. According to the new CIT Law and the relevant regulations, the new corporate income tax rate applicable to the companies of the Group established in the "Hainan Special Economic Zone" and "Shenzhen Special Economic Zone" will be gradually changed to 25% over a five-year period from 2008 to 2012 and the applicable tax rate for the year ended 31 December 2008 and 2009 and the six months ended 30 June 2010 is 18%, 20% and 22% respectively, while those established in other areas are subject to income tax rate at 25%.

Hainan Sihuan and Beijing Sihuan were qualified as a high-tech enterprise and is entitled to a further reduction in tax rate. Consequently, Hainan Sihuan's and Beijing Sihuan's corporate income tax rates for the years ended 31 December 2008, 2009 and the six months ended 30 June 2010 were provided at the rate of 15%.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Tax expense is made up of:					
Current tax	17,133	49,032	114,516	34,246	44,710
Deferred tax (Note 19)	(30)	4,589	(47,146)	2,089	(2,027)
	17,103	53,621	67,370	36,335	42,683
Overprovision in prior year (a)	(11,477)	—	—	—	—
	5,626	53,621	67,370	36,335	42,683

Note:

(a) Hainan Sihuan obtained an approval from the relevant tax authorities in September 2006 with further confirmation in the second quarter of 2007 to be entitled to a 50% reduction in tax rate from 15% to 7.5% for six years from 2005. Income tax for Hainan Sihuan for the period from 2005 to the second quarter of 2007 prior to the confirmed approval was provided for at the rate of 15%. The related overprovision of income tax was reversed accordingly.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	184,452	287,069	381,026	147,171	290,095
Tax calculated at statutory tax rates of the respective subsidiaries	31,020	80,390	115,697	24,367	59,159
Tax effects of:					
- Share of profit of an associated company	—	(2,607)	(589)	(589)	—
- Gain on disposal of an associated company	—	—	3,196	3,196	—
- Additional deductible allowance for research and development expenses	(663)	(888)	(653)	(291)	(451)
- Withholding tax on the earnings expected to be remitted by subsidiaries	—	6,745	13,285	13,285	2,000
- Effect of tax reduction and exemption	(14,236)	(33,414)	(72,081)	(10,479)	(23,434)
- Expenses not deductible for tax purposes	429	550	934	1,516	649
- Tax losses for which no deferred income tax asset was recognised	553	2,845	7,581	5,330	4,760
Tax charge	17,103	53,621	67,370	36,335	42,683

The movement in current income tax liabilities is as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Beginning of the year/period	19,112	14,693	37,643	37,643	98,869
Acquisition of a subsidiary (Note 29)	1,075	—	—	—	—
Income tax paid	(11,150)	(26,082)	(53,290)	(26,801)	(57,916)
Current tax expense	17,133	49,032	114,516	34,246	44,710
Overprovision in prior year/period	(11,477)	—	—	—	—
End of the year/period	14,693	37,643	98,869	45,088	85,663

25. Earnings per share

(a) ***Basic***

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue (after subdivision) during each of the Relevant Periods.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit attributable to equity holders of the Company (RMB'000)	179,266	237,059	326,316	119,594	254,849
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	448,918	470,000	470,000	470,000	470,000
Basic earnings per share (RMB cents per share)	39.93	50.44	69.43	25.45	54.22

(b) ***Diluted***

There is no dilution to earnings per share during the Relevant Periods because there were no potential dilutive ordinary shares existing during the Relevant Periods. The diluted earnings per share equal the basic earnings per share.

26. Dividends

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interim dividend of RMB nil, RMB nil, RMB 15.3 cents, RMB 15.3 cents and RMB nil per share	—	—	71,558	71,558	—
Final dividend of RMB nil, RMB 13.0 cents, RMB 10.2 cents, RMB nil and RMB nil per share	—	60,656	48,471	—	—
	—	60,656	120,029	71,558	—

27. Cash generated from operations

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before income tax	184,452	287,069	381,026	147,171	290,095
Adjustments for:					
- Depreciation of property, plant and equipment (Note 6)	5,362	8,330	11,694	6,672	7,449
- Amortisation of intangible assets (Note 7)	8,648	17,118	15,726	8,565	8,709
- Impairment of intangible assets (Note 7)	930	22,805	80,261	80,261	—
- Amortisation of land use rights (Note 8)	382	942	1,129	564	564
- Loss on disposal of property, plant and equipment	—	30	98	—	50
- Write-off of Intangible assets (Note 7)	—	1,535	238	—	—
- Loss on acquisition (Note 29(b))	264	—	—	—	—
- Gain on disposal of an associated company (Note 20)	—	—	(38,201)	(38,201)	—
- Gain on sale of equity investments (Note 20)	(13,252)	—	—	—	—
- Interest income (Note 23)	(1,271)	(4,259)	(6,236)	(1,287)	(4,157)
- Share of profit of an associated company (Note 9)	—	(10,427)	(2,357)	(2,357)	—
Operating cash flow before working capital changes	185,515	323,143	443,378	201,388	302,710
Changes in operating assets and liabilities:					
- Inventories	(9,535)	(16,442)	(3,572)	(11,208)	(6,331)
- Trade and other receivables	(1,427)	(40,077)	(37,708)	(3,605)	(27,331)
- Trade and other payables	19,162	16,277	36,840	11,560	(27,148)
Cash generated from operations	193,715	282,901	438,938	198,135	241,900

In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net book amount (Note 6)	302	30	234	—	50
Loss on disposal of property, plant and equipment	—	(30)	(98)	—	(50)
Proceeds from disposal of property, plant and equipment	302	—	136	—	—

28. Commitments

Group

(a) ***Capital commitments***

Capital commitments contracted but not provided for as at the end of the reporting period during the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Acquisition of a subsidiary	32,500	—	—	—
Acquisition of an associated company	35,715	—	—	—
Property, plant and equipment	—	—	2,739	10,409
Intangible assets - product development in progress	59,662	31,034	23,089	29,332
	127,877	31,034	25,828	39,741

(b) ***Operating lease commitments***

The Group's future minimum leases payable under non-cancellable operating leases in relation to office premises contracted for as at each of the balance sheet dates during the Relevant Periods but not recognised as liabilities, are analysed as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
No later than 1 year	991	2,573	659	807
Later than 1 year and no later than 2 years	—	—	271	1,604
Later than 2 years	138	826	506	213
	1,129	3,399	1,436	2,624

Company

The Company does not have any material capital commitment or operating lease commitments.

29. Business combination

(a) ***Acquisition of subsidiaries***

(i) *Acquisition of Shenzhen Sihuan*

In October 2007, the Group acquired 100% equity interest in Shenzhen Sihuan for a cash consideration of RMB 60,000,000. The aggregate effects of the acquisition of the assets and liabilities on the acquisition date and the cash flows of the Group were as follows:

	At fair value	Carrying amounts in acquiree's books
	RMB'000	RMB'000
Identifiable assets and liabilities:		
Cash and cash equivalents	11,695	11,695
Trade and other receivables	5,067	5,067
Inventories	6,238	6,238
Property, plant and equipment	508	508
Intangible assets — deferred development costs	33,000	16,114
Intangible assets — customer relationship	28,000	—
Total assets	84,508	39,622
Trade and other payables	(25,678)	(25,678)
Deferred income tax liabilities	(9,561)	—
Current income tax liabilities	(1,105)	(1,105)
Total liabilities	(36,344)	(26,783)
Identifiable net assets	48,164	12,839
Goodwill and cash flows:		
Identifiable net assets acquired	48,164	
Goodwill	11,836	
Total consideration	60,000	
Less: Cash and cash equivalents in the subsidiary acquired	(11,695)	
Net cash outflow on acquisition	48,305	
Net cash outflow in 2007	36,305	
Consideration paid in 2008	6,000	
Consideration paid in 2009	6,000	
	48,305	

The acquired business contributed revenues of RMB 26,384,000 and net profit of RMB 4,639,000 to the Group for the period from October 2007 to December 2007. If the acquisition had occurred on 1 January 2007, the Group revenue would have been RMB 350,990,000, and profit would have been RMB 187,373,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 January 2007, together with the consequential tax effects.

(ii) *Acquisition of Hainan Ao He Company*

In January 2008, the Group acquired 100% equity interest in Hainan Ao He Company for a total cash consideration of RMB 3,758,000. The aggregate effects of the acquisition of the assets on the acquisition date and the cash flows of the Group were as follows:

	At fair value	Carrying amounts in acquiree's books
	RMB'000	RMB'000
Identifiable assets:		
Cash and cash equivalents	1,861	1,861
Trade and other receivables	37	37
Total assets	1,898	1,898
Identifiable net assets	1,898	1,898
Goodwill and cash flows:		
Identifiable net assets acquired	1,898	
Goodwill	1,860	
Total consideration	3,758	
Less: Cash and cash equivalents in the subsidiary acquired	(1,861)	
Net cash outflow on acquisition	1,897	

The acquired business contributed revenues of RMB 78,620,000 and net profit of RMB 20,688,000 to the Group for the period from January 2008 to December 2008. If the acquisition had occurred on 1 January 2008, the Group revenue would have been RMB 510,048,000, and profit would have been RMB 233,448,000. These amounts have been calculated using the Group's accounting policies.

(iii) *Acquisition of KBP BioSciences*

In April 2008, the Group acquired 60% equity interest in KBP BioSciences for a total cash consideration of RMB 62,500,000. The aggregate effects of the acquisition of the assets and liabilities on the acquisition date and the cash flows of the Group were as follows:

	At fair value	Carrying amounts in acquiree's books
	RMB'000	RMB'000
Identifiable assets and liabilities:		
Cash and cash equivalents	564	564
Trade and other receivables	596	596
Property, plant and equipment	17,520	7,288
Land use rights	10,600	4,057
Intangible asset — product development in progress	31,000	50,015
Total assets	60,280	62,520
Trade and other payables	10,448	10,448
Deferred income tax liabilities	4,194	—
Total liabilities	14,642	10,448
Identifiable net assets	45,638	52,072
Goodwill and cash flows:		
Share of identifiable net assets acquired	60%	
Identifiable net assets acquired	27,383	
Goodwill	35,117	
Total consideration	62,500	
Less: Cash and cash equivalents in the subsidiary acquired	(564)	
Prepaid consideration	(30,000)	
Net cash outflow on acquisition for the year ended 31 December 2008	31,936	

The acquired business contributed revenues of RMB 1,280,000 and net loss of RMB 7,768,000 to the Group for the period from April 2008 to December 2008. If the acquisition had occurred on 1 January 2008, the Group revenue would have been RMB 512,548,000, and profit would have been RMB 235,073,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment, and intangible assets had applied from 1 January 2008, together with the consequential tax effects.

(iv) *Acquisition of Gao Duan Wei Ye*

In June 2010, the Group acquired 60% equity interest in Gao Duan Wei Ye for a total cash consideration of RMB 4,000,000. The aggregate effects of the acquisition of the assets and liabilities on the acquisition date and the cash flows of the Group were as follows:

	At fair value	Carrying amounts in acquiree's books
	RMB'000	RMB'000
Identifiable assets and liabilities:		
Cash and cash equivalents	4,019	4,019
Trade and other receivables	117	117
Property, plant and equipment	10	10
Total assets	4,146	4,146
Trade and other payables	(1,018)	(1,018)
Total liabilities	(1,018)	(1,018)
Identifiable net assets	3,128	3,128
Goodwill and cash flows:		
Share of identifiable net assets acquired	60%	
Identifiable net assets acquired	2,057	
Goodwill	1,943	
Total consideration	4,000	
Less: Cash and cash equivalents in the subsidiary acquired	(4,019)	
Net cash inflow on acquisition for the six months ended 30 June 2010	(19)	

The acquired business contributed revenues of RMB nil and net loss of RMB 19,000 to the Group for the period from 1 June 2010 to 30 June 2010. If the acquisition had occurred on 1 January 2010, the Group revenue would have been RMB 473,437,000, and profit would have been RMB 246,913,000. These amounts have been calculated using the Group's accounting policies.

(b) ***Acquisition of additional interest in a subsidiary — transaction with non-controlling interest***

In June 2007, the Company acquired further 49% of equity interest in one of its subsidiaries, Hainan CVD Research. The aggregate effect of the acquisition on assets and liabilities on the acquisition date and the cash flows of the Group is as follows:

	Carrying amounts in acquiree's books
Identifiable assets and liabilities:	
Cash and cash equivalents	49
Property, plant and equipment	134
Intangible assets — product development in progress	3,348
Trade and other receivables	1,372
Total assets	4,903
Trade and other payables	(370)
Total liabilities	(370)
Identifiable net assets	4,533
Identifiable net assets calculated at 49% equity interest acquired	2,221
Consideration paid in cash	(2,485)
Loss on acquisition	(264)

30. Related-party transactions

Except for the information as disclosed in Note 13 (amount due from holding company), Note 17 (amounts due to a director and accrual performance bonus to directors) and Note 22 (directors' emoluments) in the financial information, the Group had no other material transactions with related parties for the years ended 31 December 2007, 2008, 2009 and for the six months ended 30 June 2009 and 2010.

III. SUBSEQUENT EVENT

On 8 October 2010, the board of directors of the Company approved the declaration of a dividend in the amount of RMB173,939,030, payable to its shareholders.

The shareholders instructed and directed to the Group to offset the dividend payable with the amount due from China Pharma of RMB173,939,030. After the offset arrangement, the amount due from China Pharma as at 30 June 2010 was fully settled.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2010. Except for the information as disclosed in Section III, no dividend has been declared, made or paid by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2010.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted net tangible assets which has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if the Global Offering had taken place on 30 June 2010 and based on our net tangible assets attributable to the equity holders of our Company as of and adjusted as described below:

	Audited consolidated net tangible assets attributable to equity holders of our Company as of 30 June 2010[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted net tangible assets[3][4]	Unaudited pro forma adjusted net tangible assets per Share[5]	
	(RMB in millions)			(RMB)	(HK$)
Based on Offer Price of HK$3.88 per Share	1,011.5	3,995.8	5,007.3	1.00	1.16
Based on Offer Price of HK$4.60 per Share	1,011.5	4,743.5	5,755.0	1.15	1.34

Notes:

(1) The audited consolidated net tangible assets attributable to equity holders of our Company as at 30 June 2010 is extracted from the accountant's report of our Company as set out in Appendix I to this prospectus which is based on the audited consolidated net assets of our Company attributable to our equity holders as at 30 June 2010 of approximately RMB1,162.3 million with an adjustment for the intangible assets as at 30 June 2010 of approximately RMB150.8 million.

(2) The estimated net proceeds from the Global Offering are based on hypothetical Offer Prices of HK$3.88 and HK$4.60, respectively, per Offer Share assuming no exercise of the Over-Allotment Option, after deduction of underwriting fees and estimated expenses payable by us in connection with the Global Offering. If the Over-Allotment Option is exercised, the unaudited pro forma adjusted net tangible assets attributable to our equity holders and unaudited pro forma adjusted net tangible assets per Share will increase. The estimated net proceeds are converted into Renminbi at the exchange rate of HK$1.00 to RMB0.8617 prevailing of 8 October 2010.

(3) As at 31 July 2010, our Group's property interests were revalued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, and the related property valuation report is set out in Appendix IV to this prospectus. The net revaluation surplus, representing the excess of market value of the property interests over their book value is approximately RMB12.0 million. Such net revaluation surplus has not been included in our Group's consolidated financial information as at 30 June 2010. It is our Group's accounting policy to state its property, plant and equipment and land use rights at cost less accumulated depreciation or accumulated amortisation and any impairment losses rather than at revalued amounts. The above adjustment does not take into account the above revaluation surplus or the related additional depreciation or amortisation. Had the property interests been stated at such valuation, an additional depreciation and amortisation of approximately RMB780,000 and RMB9,000 respectively per annum would be charged against the consolidated statement of comprehensive income.

(4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 30 June 2010.

(5) The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 5,000,000,000 Shares are issued and outstanding assuming the Global Offering and the Capitalisation Issue had been completed on 30 June 2010, and that the Over-Allotment Option has not been exercised. The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at the exchange rate of HK$1.00 to RMB0.8617 prevailing on 8 October 2010.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The unaudited pro forma forecast earnings per Share prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2010. The unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of our Group following the Global Offering.

Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010[(1)(2)] .....not less than RMB500 million (HK$580 million)

Unaudited pro forma forecast earnings per Share .....not less than RMB0.10 (HK$0.12)

Notes:

(1) The forecast consolidated profit attributable to our equity holders for the year ending 31 December 2010 is extracted from the section headed "Financial Information — Profit Forecast For The Year Ending 31 December 2010" in this prospectus. The bases and assumptions on which the above profit forecast for the year ending 31 December 2010 has been prepared are summarized in Appendix III to this prospectus. Our Directors have prepared the forecast consolidated profit attributable to our equity holders for the year ending 31 December 2010 based on our audited consolidated results for the six months ended 30 June 2010, our unaudited consolidated results based on management accounts for the one month ended 31 July 2010, and a forecast of our consolidated results for the remaining five months ending 31 December 2010. The profit forecast has been prepared on a basis consistent in all material respects with our accounting policies presently adopted as set out in Note 2 of Section II of the accountant's report of our Company, the text of which is set out in Appendix I to this prospectus.

(2) For illustrative purpose, forecast consolidated profit attributable to our equity holders for the year ending 31 December 2010 and unaudited pro forma forecast earnings per Share are converted into Hong Kong dollars at the exchange rate of HK$1.00 to RMB0.8617.

(3) The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast consolidated profit attributable to our equity holders for the year ending 31 December 2010 by 5,000,000,000 Shares assumed to be issued and outstanding during the entire year, as if the Capitalization and the Global Offering had been completed on 1 January 2010.

C. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF SIHUAN PHARMACEUTICAL HOLDINGS GROUP LTD.

We report on the unaudited pro forma financial information of Sihuan Pharmaceutical Holdings Group Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages II-1 to II-2 under the headings of "Unaudited Pro Forma Adjusted Net Tangible Assets" and "Unaudited Pro Forma Forecast Earnings Per Share" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's prospectus dated 15 October 2010 (the "Prospectus"), in connection with the proposed initial public offering of the shares of the Company. 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 proposed initial public offering 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-2 of the Prospectus.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

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 Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) 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, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited consolidated net assets of the Group as at 30 June 2010 with the accountant's report as set out in Appendix I of the

Prospectus, and the unaudited forecast profit attributable to equity holders of the Company for the year ending 31 December 2010 with the profit forecast as set out in the section headed "Financial Information" in the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

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 has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

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 provide any assurance or indication that any event will take place in the future and may not be indicative of:

— the adjusted net tangible assets of the Group as at 30 June 2010 or any future date, or

— the earnings per share of the Group for the year ending 31 December 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.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 15 October 2010

A. OVERVIEW

Our forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010 is set out in the section headed "Financial Information — Profit Forecast for the Year Ending 31 December 2010" of this prospectus.

B. BASIS OF PREPARATION

Our forecast of the consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010 (the "Profit Forecast") has been prepared based on our audited consolidated results for the six months ended 30 June 2010, our unaudited consolidated results based on management accounts for the one month ended 31 July 2010, and a forecast of our consolidated results for the remaining five months ending 31 December 2010.

The principal accounting policies adopted in the preparation of the Profit Forecast are consistent in all material respects with those adopted by the Group as set out in the accountant's report of the Company included in Appendix I of this prospectus and are in conformity with IFRS.

C. GENERAL ASSUMPTIONS

- There will be no material changes in the existing political, legal, fiscal, market or economic conditions in the PRC, Hong Kong or any other countries or territories in which the Group currently operates or which are otherwise material to our business;

- There will be no changes in legislation, regulations or rules in the PRC, Hong Kong or any other countries or territories in which the Group operates or with which the Group has arrangements or agreements, which may materially and adversely affect the Group's business or operations;

- There will be no material changes in the taxation system and relevant tax bases or tax rates or duties applied to the Group in the PRC, Hong Kong or any of the countries or territories in which the Group operates;

- There will be no material changes in inflation and interest rates from those currently prevailing in the countries where our customers and suppliers operate during the period covered by the forecasts;

- There will be no material changes in the bases or applicable rates of surcharges or other government levies in the countries or territories in which the Group operates during the period covered by the forecasts;

- There will be no material changes in the landscape of the industries in which the Group operates in and the conditions of the markets in which the Group sells its products or provides services;

- There will be no material delays to the production schedules, operation plans and production expansion plans of the Group as set out in the Prospectus;

- Operating activities of the Group will not be adversely affected by any critical shortage in raw materials used by the Group in its production processes, occurrences such as labor shortages and disputes, or any other factors outside the control of its management such as government acts;

- There will be no material increases in the cost of raw materials or labor in connection with the pharmaceutical industry in the PRC;

- The operations of the Group 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;

- The Forecasts have been prepared taking into account the Directors' and key senior management's continual involvement in the operations of the Group. In addition, it is assumed that the Group will be able to retain its key management and personnel during the period covered by the Forecasts;

- The Group will be able to recruit sufficient qualified personnel to achieve its planned expansion and that the staffing level will be sufficient for the operation requirements of the Group during the period covered by the Forecasts; and

- The net proceeds from the IPO will be received in November 2010.

D. LETTER FROM THE REPORTING ACCOUNTANT

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

15 October 2010

The Directors
Sihuan Pharmaceutical Holdings Group Ltd.

Morgan Stanley Asia Limited
UBS AG, Hong Kong Branch

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the consolidated profit attributable to equity holders of Sihuan Pharmaceutical Holdings Group Ltd. (the "Company") for the year ending 31 December 2010 (the "Profit Forecast") as set out in the subsection headed "Profit Forecast for the Year Ending 31 December 2010" in the section headed "Financial Information" in the prospectus of the Company dated 15 October 2010 (the "Prospectus").

We conducted our work in accordance with 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 consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as "the Group") for the six months ended 30 June 2010, the unaudited consolidated results of the Group based on management accounts for the one month ended 31 July 2010 and a forecast of the consolidated results of the Group for the remaining five months ending 31 December 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 on pages III-1 to III-2 of the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in Note 2 of section II of the Financial Information section in Appendix I of the Prospectus.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

E. LETTER FROM THE JOINT SPONSORS

The following is the text of a letter, prepared for inclusion in this prospectus, which we have received from Morgan Stanley Asia Limited and UBS AG, Hong Kong Branch, the Joint Sponsors, in connection with the forecast of our consolidated profit attributable to our equity holders for the year ending 31 December 2010.

Morgan Stanley

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

UBS AG, Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

15 October 2010

The Directors
Sihuan Pharmaceutical Holdings Group Ltd.

Dear Sirs,

Sihuan Pharmaceutical Holdings Group Ltd. — Profit Forecast

We refer to the forecast of the consolidated net profit attributable to equity holders of Sihuan Pharmaceutical Holdings Group Ltd. (the "Company") for the year ending December 31, 2010 (the "Profit Forecast") as set out in the prospectus issued by the Company dated October 15, 2010 (the "Prospectus").

We have discussed with you the bases and assumptions made by the directors of the Company as set out in Part A of Appendix III to the Prospectus upon which the Profit Forecast has been made. We have also considered the letter, dated 15 October 2010, addressed to yourselves and ourselves from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, 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
Morgan Stanley Asia Limited
Justin Haik
Managing Director

For and on behalf of
UBS AG, Hong Kong Branch
Patrick Tsang
Executive Director

Winnie Leung
Associate Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus, received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation of the property interests of the Group as at 31 July 2010.

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

15 October 2010

The Board of Directors
Sihuan Pharmaceutical Holdings Group Ltd.

Dear Sirs,

In accordance with your instructions to value the properties in which Sihuan Pharmaceutical Holdings Group Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 July 2010 (the "date of valuation").

Our valuation of the property interests represents 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."

We have valued the property interests of property nos. 1, 4 and 5 in Group I by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

We have valued the property interests of property nos. 6 and 7 in Group II by income approach by taking into account the rental income of the properties derived from the existing leases and achievable in the existing market with due allowance for the reversionary income potential of the leases, which has been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of property nos. 2 and 3 in Group I and the particular locations in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests have therefore been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the

current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

In valuing the property interest in Group III which is currently under construction, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees to be expended to complete the development.

We have attributed no commercial value to the property interests in Group IV, which have not been assigned to the Group as at the date of valuation, thus the titles of the properties are not vested in the Group.

We have attributed no commercial value to the property interests in Group V, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificate, Building Ownership Certificates, Real Estate Title Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Haiwen & Partners, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 27 years' experience in the valuation of properties in the PRC and 30 years of property valuation experience in Hong Kong and the United Kingdom as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 31 July 2010	Interest attributable to the Group	Capital value attributable to the Group as at 31 July 2010
		RMB		RMB
1.	Units 2501 and 2505 on Level 25 and 2 underground parking spaces of Xinda Commercial Mansion No.48 Guomao Avenue Longhua District Haikou City Hainan Province The PRC	2,996,000	100%	2,996,000
2.	A parcel of land, various buildings and structures located at the east of Qishanzhuang Zhangjiawan Town Tongzhou District Beijing The PRC	32,119,000	100%	32,119,000
3.	A parcel of land, various buildings and structures No. 2518 Tianchen Avenue High-tech Industrial Development District Jinan City Shandong Province The PRC	20,802,000	60%	12,481,000
4.	Units 25B, 25C and 25D on Level 25 of Fortune Tower No. 88 Fuhua San Road Futian District Shenzhen City Guangdong Province The PRC	18,779,000	100%	18,779,000

No.	Property	Capital value in existing state as at 31 July 2010	Interest attributable to the Group	Capital value attributable to the Group as at 31 July 2010
		RMB		RMB
5.	Units 1414 and 1415 on Level 14 of Gonghe International Commercial Plaza No. 3699 Gonghe New Road Zhabei District Shanghai The PRC	2,161,000	100%	2,161,000
	Sub-total:	**76,857,000**		**68,536,000**

Group II — Property interest held for investment by the Group in the PRC

No.	Property	Capital value in existing state as at 31 July 2010	Interest attributable to the Group	Capital value attributable to the Group as at 31 July 2010
		RMB		RMB
6.	Unit 1707 on Level 14 of a residential and commercial building of Zhubang 2000 Commercial Center No. 97 Xili, Balizhuang Chaoyang District Beijing The PRC	3,794,000	100%	3,794,000
7.	Units 3105 to 3108 on Level 31 of Xinda Commercial Mansion No.48 Guomao Avenue Longhua District Haikou City Hainan Province The PRC	5,526,000	100%	5,526,000
	Sub-total:	**9,320,000**		**9,320,000**

Group III — Property interest held under development by the Group in the PRC

No.	Property	Capital value in existing state as at 31 July 2010	Interest attributable to the Group	Capital value attributable to the Group as at 31 July 2010
		RMB		RMB
8.	A parcel of land and various buildings located at the west of Lifengxian Village Houyi Town Yongqing County Langfang City Hebei Province The PRC	3,989,000	51%	2,034,000
	Sub-total:	**3,989,000**		**2,034,000**

Group IV — Property interests contracted to be acquired by the Group in the PRC

No.	Property	Capital value in existing state as at 31 July 2010
		RMB
9.	Levels 26 and 27 and 6 underground parking spaces of Sky City International Building No. 85 Binhai Avenue Longhua District Haikou City Hainan Province The PRC	No commercial value
10.	Units 2101 to 2103 and Units 2105 to 2108 on Level 18 of a residential and commercial building of Zhubang 2000 Commercial Center No. 99 Xili, Balizhuang Chaoyang District Beijing The PRC	No commercial value
	Sub-total:	**Nil**

Group V — Property interests leased and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 31 July 2010
		RMB
11.	A unit on Level 3 of a composite building located at the northwest section of Yuanyang Road Yangpu Economic Development District Haikou City Hainan Province The PRC	No commercial value
12.	Portion of Land Lot A06-2 and 6 rooms on Level 2 of an office building located at Free Trade Zone Haikou City Hainan Province The PRC	No commercial value
13.	5 residential units of Golden Time No.1587 Chonghua Road High-tech Industrial Development District Jinan City Shandong Province The PRC	No commercial value
14.	Unit 203 on Level 2 of Block 8 of Xinyuan International City Garden No.36 Gongye South Road High-tech Industrial Development District Jinan City Shandong Province The PRC	No commercial value
15.	A parcel of land located at the east of Qishanzhuang Zhangjiawan Town Tongzhou District Beijing The PRC	No commercial value

No.	Property	Capital value in existing state as at 31 July 2010 RMB
16.	A laboratory unit on Level 3 of Zone A and 4 laboratory units on Level 3 of Zone B of Zhongguancun Bio Medicine Garden No. 5 Kaituo Road Shangdi Haidian District Beijing The PRC	No commercial value
17.	Level 3 of Block A of Dihao Biology Innovation Base No. 33 Gucheng West Street Shijingshan District Beijing The PRC	No commercial value
18.	Level 4 of Block 8 and Level 7 of Block 9 No.9 Qilin Road Nankeng Village Bantian Street Longgang District Shenzhen City Guangdong Province The PRC	No commercial value
19.	Level 3 of Block 11 No.9 Qilin Road Nankeng Village Bantian Street Longgang District Shenzhen City Guangdong Province The PRC	No commercial value
20.	A parcel of land located at the west of Lifengxian Village Houyi Town Yongqing County Langfang City Hebei Province The PRC	No commercial value

No.	Property	Capital value in existing state as at 31 July 2010
		RMB
21.	Unit 26 on Level 11 of Guanghua Chang'an Mansion No.7 Jianguomen Inner Street Dongcheng District Beijing The PRC	No commercial value
	Sub-total:	**Nil**

	Capital value in existing state as at 31 July 2010	Capital value attributable to the Group as at 31 July 2010
	RMB	RMB
Grand total:	**90,166,000**	**79,890,000**

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
1.	Units 2501 and 2505 on Level 25 and 2 underground parking spaces of Xinda Commercial Mansion No.48 Guomao Avenue Longhua District Haikou City Hainan Province The PRC	The property comprises 2 units on Level 25 and 2 underground parking spaces of a 31-storey residential and commercial building known as Xinda commercial Mansion which was completed in about 2002. The property has a total gross floor area of approximately 502.94 sq.m. The land use rights of the property have been granted for a term expiring on 19 July 2058 for composite residential use.	The property is currently occupied by the Group for storage and car parking purposes.	2,996,000 100% interest attributable to the Group: RMB2,996,000

Notes:

1. Pursuant to 4 Housing State-owned Land Use Rights Division Transfer Certificates - Nos. 200603019, 200603023, 200602671 and 200602672, the land use rights of the property with a total apportioned site area of approximately 81.06 sq.m. have been divided and transferred to Hainan Sihuan Pharmaceutical Co., Ltd. ("Hainan Sihuan"), a wholly-owned subsidiary of the Company, for a term of 50 years expiring on 19 July 2058 for composite residential use.

2. Pursuant to 4 Building Ownership Certificates - Hai Kou Shi Fang Quan Zheng Hai Fang Zi Di Nos. HK060410, HK060413, HK066214 and HK066220, 2 residential units and 2 underground parking spaces with a total gross floor area of approximately 502.94 sq.m. are owned by Hainan Sihuan.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Group has obtained the Building Ownership Certificates of the property and is entitled to use, transfer, lease or mortgage the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010
				RMB
2.	A parcel of land, various buildings and structures located at the east of Qishanzhuang Zhangjiawan Town Tongzhou District Beijing The PRC	The property comprises a parcel of land with a site area of approximately 25,328.55 sq.m. and 8 buildings and a portion of a production building erected thereon which were completed in various stages between 1995 and 2010. The buildings have a total gross floor area of approximately 15,304.85 sq.m. The buildings comprise 3 production buildings and a portion of a production building, a storage building, an office building and 3 ancillary buildings. The land use rights of the property have been granted for a term of 50 years expiring on 20 July 2050 for industrial use.	The property is currently occupied by the Group for production, storage, office and ancillary purposes.	32,119,000 100% interest attributable to the Group: RMB32,119,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 21 July 2006 entered into between Beijing State-owned Land Resources Bureau and Beijing Sihuan Pharmaceutical Co., Ltd. ("Beijing Sihuan"), a wholly-owned subsidiary of the Company, the land use rights of a parcel of land with a site area of approximately 25,328.6 sq.m. were contracted to be granted to Beijing Sihuan for industrial use. The total land premium was RMB1,773,002.

2. Pursuant to a State-owned Land Use Rights Certificate - Jing Tong Guo Yong (2006 Chu) Di No. 042, the land use rights of a parcel of land with a site area of approximately 25,328.55 sq.m. have been granted to Beijing Sihuan, for a term of 50 years expiring on 20 July 2050 for industrial use.

3. Pursuant to a Building Ownership Certificate - Jing Fang Quan Zheng Tong Gu Zi Di No. 0611800, 3 buildings with a total gross floor area of approximately 10,444.95 sq.m. are owned by Beijing Sihuan.

4. For the remaining 5 buildings and the portion of a production building of the property with a total gross floor area of approximately 4,859.9 sq.m., we have not been provided with any Building Ownership Certificates.

5. As advised by the Group, portion of a production building of the property with a gross floor area of approximately 521 sq.m. was built on land parcel of this property whilst the remaining portion of this production building with a gross floor area of approximately 260.5 sq.m. was built on the adjacent leased land parcel as referred to in property no. 15.

6. In the valuation of this property, we have attributed no commercial value to the 5 buildings and the production building (as referred to in notes 4 and 5) with a total gross floor area of approximately 5,120.40 sq.m. which have not obtained any Building Ownership Certificates. However, for reference purpose, we are of the opinion that the aggregate depreciated replacement cost of them (excluding the land) as at the date of valuation would be RMB4,604,000 assuming the Building Ownership Certificates have been fully obtained and the buildings could be freely transferred.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Group is legally in possession of the land use rights of the property and is entitled to use and transfer the land use rights of the property;

   b. The Group has obtained the Building Ownership Certificate of the buildings as referred to in note 3 and is entitled to use, transfer, lease or mortgage such buildings;

   c. As advised by the Group, 2 of the buildings as referred to in note 4 with a total gross floor area of approximately 1,407.4 sq.m. are temporary buildings which have not gone through the procedure of temporary construction planning. Such buildings will possibly be ordered, to be demolished within a stipulated time limit; and

   d. For the remaining 3 buildings and portion of a production building as referred in note 4 with a total gross floor area of approximately 3,452.5 sq.m., such buildings may be considered as illegal buildings by the urban and rural authority and the Group may be ordered to demolish such buildings within a stipulated time limit or be subject to confiscation or penalty or other administrative punishment.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
3.	A parcel of land, various buildings and structures No. 2518 Tianchen Avenue High-tech Industrial Development District Jinan City Shandong Province The PRC	The property comprises a parcel of land with a site area of approximately 13,348 sq.m. and 4 buildings and various ancillary structures erected thereon which were completed in various stages between 2003 and 2010. The buildings have a total gross floor area of approximately 7,719.57 sq.m. The buildings comprise an office building, a laboratory building and 2 ancillary buildings. The structures mainly include roads, boundary fences, basketball court, car shed and gate. The land use rights of the property have been granted for a term of 50 years expiring on 23 June 2052 for industrial use.	The property is currently occupied by the Group for office, laboratory, and ancillary purposes.	20,802,000 60% interest attributable to the Group: RMB12,481,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract - Ji Gao Guan Guo Tu Chu Rang He Zi (2002) Nian No. 19 dated 24 June 2002 entered into between Jinan High-tech Technology Industrial Development Zone and KBP BioSciences Co., Ltd. ("KBP BioSciences"), a 60% interest owned subsidiary of the Company, the land use rights of a parcel of land with a site area of approximately 13,348 sq.m. were contracted to be granted to KBP BioSciences for industrial use. The total land premium was RMB1,022,456.8.

2. Pursuant to a State-owned Land Use Rights Certificate - Gao Xin Guo Yong (2005) Di No. 0100059 dated 6 September 2005, the land use rights of a parcel of land with a site area of approximately 13,348 sq.m. have been granted to KBP BioSciences for a term of 50 years expiring on 23 June 2052 for industrial use.

3. Pursuant to 2 Building Ownership Certificates - Ji Fang Quan Zheng Gao Zi Di Nos. 011524 and 011525 dated 8 May 2007 issued by Jinan Municipal Housing Administration Bureau (濟南市房產管理局), 2 buildings with a total gross floor area of approximately 7,574.93 sq.m. are owned by KBP BioSciences.

4. For the remaining 2 buildings of the property with a total gross floor area of approximately 144.64 sq.m., we have not been provided with any Building Ownership Certificates.

5. In the valuation of this property, we have attributed no commercial value to the 2 buildings (as referred to in note 4) with a total gross floor area of approximately 144.64 sq.m. which have not obtained any Building Ownership Certificates. However, for reference purpose, we are of the opinion that the aggregate depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB65,000 assuming the Building Ownership Certificates have been fully obtained and the buildings could be freely transferred.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Group is legally in possession of the land use rights of the property and is entitled to use and transfer the land use rights of the property;

   b. The Group has obtained the Building Ownership Certificates of the buildings as referred to in note 3 and is entitled to use, transfer, lease or mortgage such buildings; and

   c. The buildings as referred to in note 4 may be considered as illegal buildings by the urban and rural authority and the Group may be ordered to demolish such buildings within a stipulated time limit or be subject to the forfeiture of the object or any penalty or any other administrative punishment.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010
				RMB
4.	Units 25B, 25C and 25D on Level 25 of Fortune Tower No. 88 Fuhua San Road Futian District Shenzhen City Guangdong Province The PRC	The property comprises 3 office units on Level 25 of a 54-storey office building known as Fortune Tower which was completed in about 2007. The property has a total gross floor area of approximately 553.94 sq.m. The land use rights of the property have been granted for a term of 50 years commencing from 26 June 2000 and expiring on 25 June 2050 for commercial and office uses.	The property is currently occupied by the Group for office purpose.	18,779,000 100% interest attributable to the Group: RMB18,779,000

Notes:

1. Pursuant to 3 Commodity Property Sale & Purchase Contracts dated 28 August 2008, 3 office units with a total gross floor area of approximately 553.94 sq.m. were contracted to be sold to Shenzhen Sihuan Pharmaceutical Co., Ltd. ("Shenzhen Sihuan"), a wholly-owned subsidiary of the Company, at a total consideration of RMB15,510,320.

2. Pursuant to 3 Real Estate Title Certificates - Shen Fang Di Zi Di Nos. 3000530734, 3000530735 and 3000530440, 3 office units with a total gross floor area of approximately 553.94 sq.m. are owned by Shenzhen Sihuan.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers that the Group has obtained the Real Estate Title Certificates of the property and is entitled to use, transfer, lease or mortgage the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010
				RMB
5.	Units 1414 and 1415 on Level 14 of Gonghe International Commercial Plaza No.3699 Gonghe New Road Zhabei District Shanghai The PRC	The property comprises 2 office units on Level 14 of an 18-storey commercial building known as Gonghe International Commercial Plaza which was completed in 2009. The property has a total gross floor area of approximately 120.75 sq.m.	The property is currently occupied by the Group for office and storage purposes.	2,161,000 100% interest attributable to the Group: RMB2,161,000

Notes:

1. Pursuant to 2 Commercial Housing Sales Contracts, 2 office units with a total gross floor area of approximately 120.75 sq.m. were contracted to be sold to Hainan Sihuan Pharmaceutical Co., Ltd. ("Hainan Sihuan"), a wholly-owned subsidiary of the Company, at a total consideration of RMB2,135,464.

2. Pursuant to 2 Real Estate Title Certificates - Hu Fang Di Zha Zi (2010) Di Nos. 011241 and 011242 dated 5 July 2010 issued by Shanghai Planning and State-owned Resources Administrative Bureau, 2 office units with a total gross floor area of approximately 120.75 sq.m. are owned by Hainan Sihuan.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers that the Group has obtained the Real Estate Title Certificates of the property and is entitled to use, transfer, lease or mortgage the property.

VALUATION CERTIFICATE

Group II — Property interest held for investment by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010
				RMB
6.	Unit 1707 on Level 14 of a residential and commercial building of Zhubang 2000 Commercial Center No. 97 Xili, Balizhuang Chaoyang District Beijing The PRC	The property comprises a unit on Level 14 of a 24-storey residential and commercial building completed in about 2005. The property has a gross floor area of approximately 200.73 sq.m. The land use rights of the property have been granted for a term of 70 years expiring on 27 February 2073 for residential use.	The property is currently rented to an independent third party for office purpose.	3,794,000 100% interest attributable to the Group: RMB3,794,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate - Jing Chao Guo Yong (2004 Chu) Zi Di No. 0029 dated 12 February 2004, the land use rights of a parcel of land with a site area of approximately 3,885.34 sq.m., on which the property is located, have been granted to Beijing Zhubang Real Estate Development Co., Ltd. (北京住邦房地產開發有限責任公司) ("Beijing Zhubang"), for terms of 50 years expiring on 27 February 2053 for basement garage use and 70 years expiring on 27 February 2073 for residential use.

2. Pursuant to a Commodity Property Sale & Purchase Contract dated 28 August 2008 entered into between Hainan Sihuan Pharmaceutical Co., Ltd. ("Hainan Sihuan"), a wholly-owned subsidiary of the Company, and Beijing Zhubang, a unit with a gross floor area of approximately 200.73 sq.m. was contracted to be sold to Hainan Sihuan at a total consideration of RMB2,470,456.

3. Pursuant to a Building Ownership Certificate - X Jing Fang Quan Zheng Chao Zi Di No. 612012, a unit with a gross floor area of approximately 200.73 sq.m. is owned by Hainan Sihuan.

4. Pursuant to a Tenancy Agreement dated 18 May 2010, a unit on Level 14 of Zhubang 2000 with a gross floor area of approximately 200.73 sq.m. was rented to Beijing Jinshifusen Trading Company Limited (北京金石福森商貿有限公司), an independent third party of the Company, from Hainan Sihuan for a term of a year commencing from 26 May 2010 and expiring on 25 May 2012 at a monthly rent of RMB21,800.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Group has obtained the Building Ownership Certificate of the property and is entitled to use, transfer, lease or mortgage the property; and

   b. The property is designated for residential purpose, however, the property is currently rented to an independent third party for office purpose without consent from the owners of other building units within the same building who have common interests (the "Interested Building Owners"). The aforesaid situation does not comply with the PRC Laws and it may result in a civil lawsuit or arbitration from the Interested Building Owners and the Group may suffer economic losses arising therefrom.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
7.	Units 3105 to 3108 on Level 31 of Xinda Commercial Mansion No.48 Guomao Avenue Longhua District Haikou City Hainan Province The PRC	The property comprises 4 units on Level 31 of a 31-storey residential and commercial building known as Xinda Commercial Mansion which was completed in about 2002. The property has a total gross floor area of approximately 739.74 sq.m. The land use rights of the property have been granted for a term expiring on 19 July 2058 for composite residential use.	The property is currently rented to an independent third party for office purpose.	5,526,000 100% interest attributable to the Group: RMB5,526,000

Notes:

1. Pursuant to 4 Housing State-owned Land Use Rights Division Transfer Certificates - Nos. 200603070 to 200603073, the land use rights of the property with a total apportioned site area of approximately 119.23 sq.m. have been divided and transferred to Hainan Sihuan Pharmaceutical Co., Ltd. ("Hainan Sihuan"), a wholly-owned subsidiary of the Company, for a term of 50 years expiring on 19 July 2058 for composite residential use.

2. Pursuant to 4 Building Ownership Certificates - Hai Kou Shi Fang Quan Zheng Hai Fang Zi Di Nos. HK042100, HK042101, HK042103 and HK042104, 4 residential units with a total gross floor area of approximately 739.74 sq.m. are owned by Hainan Sihuan.

3. Pursuant to a Tenancy Agreement dated 10 April 2010, 4 units on Level 31 of Xinda Commercial Mansion with a total gross floor area of approximately 740 sq.m. were rented to Hainan Zhongyuan Investment Company Limited (海南中元投資有限公司), an independent third party of the Company, from Hainan Sihuan for a term of 1 year commencing from 10 April 2010 and expiring on 10 April 2011 at a monthly rent of RMB42,180, exclusive of management fees, water and electricity charges.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Group has obtained the Building Ownership Certificates of the property and is entitled to use, transfer, lease or mortgage the property; and

   b. The property is designated for residential purpose, however, the property is currently rented to an independent third party for office purpose without consent from the owners of other building units within the same building who have common interests (the "Interested Building Owners"). The aforesaid situation does not comply with the PRC Laws and it may result in a civil lawsuit or arbitration from the Interested Building Owners and the Group may suffer economic losses arising therefrom.

VALUATION CERTIFICATE

Group III — Property interest held under development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010
				RMB
8.	A parcel of land and various buildings located at the west of Lifengxian Village Houyi Town Yongqing County Langfang City Hebei Province The PRC	The property comprises a parcel of land with a site area of approximately 33,333 sq.m. and 6 buildings which were being constructed thereon as at the date of valuation. The buildings comprise 4 production buildings, an office building and an ancillary building with a total planned gross floor area of approximately 9,240.6 sq.m. As advised by the Group, the property only forms a portion of a development known as plant of 300,000 tons annual output of pharmaceutical raw medicine and pharmaceutical intermediate (the "Development"). In addition to this property, as at the date of valuation, the Development also comprises a production building, 3 storage buildings and 2 ancillary buildings with a total planned gross floor area of approximately 3,350.38 sq.m. being constructed on the leased land parcel as referred to in property no.20 which is adjacent to the land parcel of this property. The construction of the Development is scheduled to be completed in October 2010. As advised by the Group, a total construction cost of approximately RMB19,044,000 had been paid up to the date of valuation. The land use rights of the property have been granted for a term expiring on 20 October 2059 for industrial use.	The property was under construction as at the date of valuation.	3,989,000 51% interest attributable to the Group: RMB2,034,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract - No. C13102320090021 dated 20 October 2009 entered into between Yongqing County State-owned Land Resources Bureau and Langfang Sihuan Gao Bo Pharmaceutical Co., Ltd. ("Langfang Sihuan"), a 51% interest owned subsidiary of the Company, the land use rights of a parcel of land with a site area of approximately 33,333 sq.m. were contracted to be granted to Langfang Sihuan for industrial use. The total land premium was RMB4,380,000.

2. Pursuant to a State-owned Land Use Rights Certificate - Yong Guo Yong (2009) Di No. 193, the land use rights of the property with a site area of approximately 33,333 sq.m. have been granted to Langfang Sihuan for a term expiring on 20 October 2059 for industrial use.

3. Pursuant to a Construction Work Commencement Permit - No. 131023X100010101 in favour of Langfang Sihuan, permission was given by the relevant local authority to commence the construction works.

4. In the valuation of this property, we have attributed no commercial value to the buildings of this property which have not obtained any Construction Land Planning Permit and Construction Work Planning Permit except for the Construction Work Commencement Permit. However, for reference purpose, we are of the opinion that the aggregate replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB17,100,000 assuming that the relevant Construction Land Planning Permit and Construction Work Planning Permit have been obtained by the Group and the buildings could be freely transferred.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Group is legally in possession of the land use rights of the property and is entitled to use and transfer the land use rights of the property;

   b. Under the situation that the Group commenced the building construction but without obtaining the Construction Land Planning Permit and Construction Work Planning Permit, the Group may be ordered to suspend the construction works by the above-county level urban and rural planning administrative authority of the local People's Government due to lack of complete construction work planning procedure; and

   c. Due to the lack of relevant procedures, the construction works of the property are in lack of the legal conditions to apply for the Building Ownership Certificate after completion of the construction works.

VALUATION CERTIFICATE

Group IV — Property interests contracted to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
9.	Levels 26 and 27 and 6 underground parking spaces of Sky City International Building No. 85 Binhai Avenue Longhua District Haikou City Hainan Province The PRC	The property comprises Levels 26 and 27 and 6 underground parking spaces of a 45-storey office building known as Sky City International Building which was completed in 2010. The property has a total gross floor area of approximately 2,737.12 sq.m.	The property is currently occupied by the Group for office purpose except for the parking spaces which are currently vacant.	No commercial value

Notes:

1. Pursuant to 12 Commodity Property Sale & Purchase Contracts and a Car Parking Space Pre-sale Agreement all dated 28 September 2007, the property with a total gross floor area of approximately 2,737.12 sq.m. was contracted to be sold to Hainan Sihuan Pharmaceutical Co., Ltd. ("Hainan Sihuan"), a wholly-owned subsidiary of the Company, at a total consideration of RMB23,813,104.

2. As at the date of valuation, the property has not been assigned to the Group and thus the title of the property has not been vested in the Group. Therefore, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB38,776,000, on condition that the relevant title certificates have been obtained by the Group and the Group is entitled to freely transfer, lease, mortgage or otherwise dispose of the property.

3. As confirmed by the Group, the Group had fully paid the consideration to purchase the property up to the date of valuation.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers that there is no legal impediment for the Group to obtain the Building Ownership Certificates of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
10.	Units 2101 to 2103 and Units 2105 to 2108 on Level 18 of a residential and commercial building of Zhubang 2000 Commercial Center No. 99 Xili, Balizhuang Chaoyang District Beijing The PRC	The property comprises 7 residential units on Level 18 of a 24-storey residential and commercial building completed in 2005. The property has a total gross floor area of approximately 1,695.8 sq.m.	The property is currently occupied by the Group for office purpose except for Unit 2107 and portion of Units 2105 and 2106 (including portion of common corridor) which are rented to an independent third party for office purpose.	No commercial value

Notes:

1. Pursuant to 7 Commodity Property Sale & Purchase Contracts dated 16 October 2009, 7 residential units with a total gross floor area of approximately 1,695.8 sq.m. were contracted to be sold to Hainan Sihuan Pharmaceutical Co., Ltd. ("Hainan Sihuan"), a wholly-owned subsidiary of the Company, at a total consideration of RMB27,980,000.

2. Pursuant to a Tenancy Agreement dated 19 April 2010, Unit 2107 and portion of Units 2105 and 2106 (including portion of common corridor with an area of approximately 2 sq.m.) of the property with a total lettable area of approximately 371.06 sq.m. were rented to Beijing Bangying Architecture Planning Design Institute (北京邦瀛建築規劃設計院), an independent third party of the Company, from Hainan Sihuan for a term commencing from 20 April 2010 and expiring on 8 May 2012 at a monthly rent of RMB39,502.43, inclusive of management fees but exclusive of energy charges and other outgoings for office purpose.

3. As at the date of valuation, the property has not been assigned to the Group and thus the title of the property has not been vested in the Group. Therefore, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB33,479,000, on condition that the relevant title certificates have been obtained by the Group and the Group is entitled to freely transfer, lease, mortgage or otherwise dispose of the property.

4. As confirmed by the Group, the Group had fully paid the consideration to purchase the property up to the date of valuation.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers that there is no legal impediment for the Group to obtain the Building Ownership Certificates of the property.

VALUATION CERTIFICATE

Group V — Property interests leased and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
11.	A unit on Level 3 of a composite building located at the northwest section of Yuanyang Road Yangpu Economic Development District Haikou City Hainan Province The PRC	The property comprises an office unit on Level 3 of a composite building completed in about 1994. The property has a gross floor area of approximately 106 sq.m. The property is leased to Hainan Sihuan Pharmaceutical Co., Ltd. ("Hainan Sihuan"), a wholly-owned subsidiary of the Company, from an independent third party for a term of 1 year commencing from 15 November 2009 and expiring on 14 November 2010 at a monthly rent of RMB2,400, exclusive of water and electricity charges.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement, the property is leased to Hainan Sihuan from an independent third party (the "Lessor"), for a term of 1 year commencing from 15 November 2009 and expiring on 14 November 2010 at a monthly rent of RMB2,400, exclusive of water and electricity charges.

2. We have been provided with a legal opinion on the legality of the tenancy agreements to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Since the Lessor has not provided the Building Ownership Certificate, it cannot be ascertained whether the Lessor has the rights to let the aforesaid property. There would be a risk that the relevant Tenancy Agreement is considered to be invalid by the independent third parties or the relevant authorities in case that the Lessor has no rights to let the aforesaid property; and

   b. The property has not gone through the procedure of lease registration. According to the relevant PRC laws, the Lessor may be subject to administrative punishment by the relevant real estate administrative authority. However, there is no influence on the Group's rights under the aforesaid Tenancy Agreement or the validity and enforceability of the Tenancy Agreement despite the absence of lease registration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
12.	Portion of Land Lot A06-2 and 6 rooms on Level 2 of an office building located at Free Trade Zone Haikou City Hainan Province The PRC	The property comprises portion of a parcel of land with a site area of approximately 1,196 sq.m. ("Part A") and 6 rooms on Level 2 of an office building completed in about 2002 ("Part B"). Part B of the property has a gross floor area of approximately 386 sq.m. Part A of the property is leased to Hainan Sihuan Cardio-cerebral Vascular Drugs Research Institute Co., Ltd. ("Hainan Sihuan CVD Research"), a wholly-owned subsidiary of the Company, from an independent third party (the "Lessor") for a term of 5 years commencing from 27 March 2008 and expiring on 26 March 2013 at nil rent, but in return the Lessor can use the facilities of Hainan Sihuan CVD Research free of charge if such usage does not affect the normal operation of the latter, and can gratuitously use the building thereon Part A after the relocation of Hainan Sihuan CVD Research. Part B of the property is leased to Hainan Sihuan CVD Research from the Lessor for a term of 5 years commencing from 1 July 2008 and expiring on 1 July 2013 at an annual rent of RMB36,364, exclusive of management fees, water, electricity and heating charges.	The property is currently occupied by the Group for office and laboratory purposes.	No commercial value

Notes:

1. Pursuant to a Real Estate Tenancy Agreement, Part A of the property is leased to Hainan Sihuan CVD Research from the Lessor for a term of 5 years commencing from 27 March 2008 and expiring on 26 March 2013 at nil rent, but in return the Lessor can use the facilities of Hainan Sihuan CVD Research free of charge if such usage does not affect the normal operation of the latter, and can gratuitously use the building thereon Part A after the relocation of Hainan Sihuan CVD Research. Part B of the property is leased to Hainan Sihuan CVD Research from the Lessor for a term of 5 years commencing from 1 July 2008 and expiring on 1 July 2013 at an annual rent of RMB36,364, exclusive of management fees, water, electricity and heating charges.

2. As confirmed by the Group, Hainan Sihuan CVD Research has constructed a single-storey laboratory building on Part A of the property with a gross floor area of approximately 1,195 sq.m.

3. In the valuation of this property, we have attributed no commercial value to the laboratory building as referred to in note 2 which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building (excluding the land) as at the date of valuation would be RMB1,052,000, assuming the relevant title certificate has been fully obtained and the building could be freely transferred.

4. We have been provided with a legal opinion on the legality of the tenancy agreements to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Tenancy Agreement is legal and valid in accordance with the PRC laws and it is binding and enforceable on both parties;

   b. The Group has the rights to use Part B of the property in accordance with the Tenancy Agreement which is under the protection of PRC laws;

   c. The Group has obtained a temporary Construction Work Planning Permit of the building as referred to in notes 2 and 3;

   d. According to Urban and Rural Planning Law and Hainan Province Urban and Rural Planning Regulation, it requires the approval from the urban and rural planning authorities of the Municipal or Prefectural People's Government to build temporary buildings in the planning zone of the city or town. The use term is less than 2 years. Use of the building as referred to in notes 2 and 3 occupied by the Group is a temporary building of which the existing use term will expire on 30 December 2010. At the expiration of the use term, the Group can request for an extension of the use term till 30 December 2011 through coordination with the Lessor. However, the building as referred to in notes 2 and 3 will be demolished without an extension of the use term; and

   e. Part B of the property has not gone through the procedure of lease registration. According to the relevant PRC laws, the Lessor may be subject to administrative punishment by the relevant real estate administrative authority. However, there is no influence on the Group's rights under the aforesaid Tenancy Agreement or the validity and enforceability of the Tenancy Agreement despite the absence of lease registration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
13.	5 residential units of Golden Time No.1587 Chonghua Road High-tech Industrial Development District Jinan City Shandong Province The PRC	The property comprises 5 residential units on Levels 4 to 6 of five 11-storey residential buildings completed in about 2005. The property has a total gross floor area of approximately 441.52 sq.m. The property is leased to KBP BioSciences Co., Ltd. ("KBP BioSciences"), a 60% interest owned subsidiary of the Company, from various independent third parties for various terms with the expiry dates between 1 September 2010 and 20 July 2012 at a total monthly rent of RMB8,350, exclusive of management fees, water, electricity and heating charges. Upon expiry of the tenancy of a unit, we are advised by the Group that the tenancy continues on monthly basis at the same rent.	The property is currently occupied by the Group for residential purpose.	No commercial value

Notes:

1. Pursuant to 5 Tenancy Agreements, the property is leased to KBP BioSciences from various independent third parties (the "Lessors"), for various terms with the expiry dates between 1 September 2010 and 20 July 2012 at a total monthly rent of RMB8,350, exclusive of management fees, water, electricity and heating charges for residential purpose. Upon expiry of the tenancy of a unit, we are advised by the Group that the tenancy continues on monthly basis at the same rent.

2. We have been provided with a legal opinion on the legality of the tenancy agreements to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Tenancy Agreements in respect of 4 residential units of the property with a total gross floor area of approximately 394.52 sq.m. are legal and valid in accordance with the PRC laws and they are binding and enforceable on both parties;

   b. The Group has the rights to use the 4 residential units of the property as referred to in note 2a in accordance with the relevant Tenancy Agreements under the protection of the PRC laws;

   c. Since the Lessor has not provided the Building Ownership Certificate of the remaining residential unit of the property, it cannot be ascertained whether the Lessor has the rights to let such unit. There would be a risk that the relevant Tenancy Agreement is considered to be invalid by independent third parties or the relevant authorities in case that the Lessor has no rights to let the aforesaid residential unit; and

   d. The property has not gone through the procedure of lease registration. According to the relevant PRC laws, the Lessor may be subject to administrative punishment by the relevant real estate administrative authority. However, there is no influence on the Group's rights under the aforesaid Tenancy Agreement or the validity and enforceability of the Tenancy Agreement despite the absence of lease registration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
14.	Unit 203 on Level 2 of Block 8 of Xinyuan International City Garden No.36 Gongye South Road High-tech Industrial Development District Jinan City Shandong Province The PRC	The property comprises a residential unit on Level 2 of a 24-storey residential building completed in about 2005. The property has a gross floor area of approximately 80 sq.m. The property is leased to KBP BioSciences Co., Ltd. ("KBP BioSciences"), a 60% interest owned subsidiary of the Company, from an independent third party for a term of half a year commencing from 1 April 2010 and expiring on 30 September 2010 at a monthly rent of RMB1,100, exclusive of water, electricity charges and other outgoings. Upon expiry of the tenancy, we are advised by the Group that the tenancy continues on monthly basis at the same rent.	The property is currently occupied by the Group for residential purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement, the property is leased to KBP BioSciences from an independent third party (the "Lessor"), for a term of half year commencing from 1 April 2010 and expiring on 30 September 2010 at a monthly rent of RMB1,100, exclusive of water, electricity charges and other outgoings for residential purpose. Upon expiry of the tenancy, we are advised by the Group that the tenancy continues on monthly basis at the same rent.

2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Since the Lessor has not provided the Building Ownership Certificate, it cannot be ascertained whether the Lessor has the rights to let the aforesaid property. There would be a risk that the relevant Tenancy Agreement is considered to be invalid by independent third parties or the relevant authorities in case that the Lessor has no rights to let the aforesaid property; and

   b. The property has not gone through the procedure of lease registration. According to the relevant PRC laws, the Lessor may be subject to administrative punishment by the relevant real estate administrative authority. However, there is no influence on the Group's rights under the aforesaid Tenancy Agreement or the validity and enforceability of the Tenancy Agreement despite the absence of the lease registration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
15.	A parcel of land located at the east of Qishanzhuang Zhangjiawan Town Tongzhou District Beijing The PRC	The property comprises a portion of a parcel of land with a site area of approximately 2,178 sq.m. The property is leased to Beijing Sihuan Pharmaceutical Co., Ltd. ("Beijing Sihuan"), a wholly-owned subsidiary of the Company, from an independent third party for a term commencing from 23 April 2004 and expiring on 18 June 2028 at a sum of one-off rent payment of RMB150,000.	The property is currently occupied by the Group for production purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement, the property is leased to Beijing Sihuan from an independent third party (the "Lessor"), for a term commencing from 23 April 2004 and expiring on 18 June 2028 at a sum of one-off rent payment of RMB150,000.

2. As advised by the Group, a portion of a production building with a gross floor area of approximately 260.5 sq.m. was built on the property whilst the other portion of the production building with a gross floor area of approximately 521 sq.m. was built on the adjacent owned land parcel as referred to in property no. 2.

3. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Without the approval of the land administrative authority, the Group's rights under the Tenancy Agreement cannot be protected by the PRC laws; and

   b. The property under the Tenancy Agreement is an allocated land. The building as referred to in note 2 is constructed on the allocated land and used by the Group that may be considered occupying the land illegally by the relevant land administrative authority. Besides, the Group may be ordered to demolish such building or be subject to any confiscation or penalty by the urban and rural planning authority.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
16.	A laboratory unit on Level 3 of Zone A and 4 laboratory units on Level 3 of Zone B of Zhongguancun Bio Medicine Garden No. 5 Kaituo Road Shangdi Haidian District Beijing The PRC	The property comprises 5 units on Level 3 of a 5-storey laboratory building completed in about 2003. The property has a total gross floor area of approximately 435 sq.m. The property is leased to Beijing Di Ao Lin Pharmaceutical Technical Co., Ltd. ("Beijing Di Ao Lin"), a wholly-owned subsidiary of the Company, from an independent third party for a term of 1 year commencing from 8 February 2010 and expiring on 7 February 2011 at a total annual rent of RMB460,776, exclusive of management fees, water, electricity charges and other outgoings.	The property is currently occupied by the Group for laboratory purpose.	No commercial value

Notes:

1. Pursuant to 2 Tenancy Agreements, the property is leased to Beijing Di Ao Lin from an independent third party (the "Lessor"), for a term of 1 year commencing from 8 February 2010 and expiring on 7 February 2011 at a total annual rent of RMB460,776, exclusive of management fees, water, electricity charges and other outgoings for laboratory purpose.

2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Tenancy Agreements in respect of the property are legal and valid in accordance with the PRC laws and they are binding and enforceable on both parties;

   b. The Group has the rights to use the property in accordance with the relevant Tenancy Agreements under the protection of the PRC laws; and

   c. The property has not been gone through the procedure of lease registration. According to the relevant PRC laws, the Lessor may be subject to administrative punishment by the relevant real estate administrative authority. However, there is no influence on the Group's rights under the aforesaid Tenancy Agreements or the validity and enforceability of the Tenancy Agreement despite the absence of lease registration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
17.	Level 3 of Block A of Dihao Biology Innovation Base No. 33 Gucheng West Street Shijingshan District Beijing The PRC	The property comprises Level 3 of a 5-storey office building completed in about 2008. The property has a gross floor area of approximately 608 sq.m. The property is leased to Beijing Sihuan Pharmaceutical Co., Ltd. ("Beijing Sihuan"), a wholly-owned subsidiary of the Company, from an independent third party for a term of 6 years commencing from 18 April 2010 and expiring on 18 April 2016 at an annual rent of RMB221,920, exclusive of management fees, water, electricity charges and other outgoings.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement, the property is leased to Beijing Sihuan from an independent third party (the "Lessor"), for a term of 6 years commencing from 18 April 2010 and expiring on 18 April 2016 at an annual rent of RMB221,920, exclusive of management fees, water, electricity charges and other outgoings.

2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Since the Lessor has not provided the Real Estate Title Certificate, it cannot be ascertained whether the Lessor has the rights to let the property. There would be a risk that the relevant Tenancy Agreement is considered to be invalid by independent third parties or the relevant authorities in case that the Lessor has no rights to let the property; and

   b. The property has not gone through the procedure of lease registration. According to the relevant PRC laws, the Lessor may be subject to administrative punishment by the relevant real estate administrative authority. However, there is no influence on the Group's rights under the aforesaid Tenancy Agreement or the validity and enforceability of the Tenancy Agreement despite the absence of lease registration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
18.	Level 4 of Block 8 and Level 7 of Block 9 No.9 Qilin Road Nankeng Village Bantian Street Longgang District Shenzhen City Guangdong Province The PRC	The property comprises Level 4 of a 6-storey building and Level 7 of a 7-storey building both completed in about 2002. The property has a total gross floor area of approximately 1,400 sq.m. The property is leased to Shenzhen Sihuan Pharmaceutical Co., Ltd. ("Shenzhen Sihuan"), a wholly-owned subsidiary of the Company, from an independent third party for a term of 5 years commencing from 1 January 2009 and expiring on 31 December 2013 at a total annual rent of RMB252,000, exclusive of water, electricity charges and other outgoings.	The property is currently occupied by the Group for storage and residential purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement, the property is leased to Shenzhen Sihuan from an independent third party (the "Lessor"), for a term of 5 years commencing from 1 January 2009 and expiring on 31 December 2013 at a total annual rent of RMB252,000, exclusive of water, electricity charges and other outgoings.

2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Since the Lessor has not provided the Real Estate Title Certificate, it cannot be ascertained whether the Lessor has the rights to let the property. There would be a risk that the relevant Tenancy Agreement is considered to be invalid by independent third parties or the relevant authorities in case that the Lessor has no rights to let the property; and

   b. The property has not gone through the procedure of lease registration. According to the relevant PRC laws, the Lessor may be subject to administrative punishment by the relevant real estate administrative authority. However, there is no influence on the Group's rights under the aforesaid Tenancy Agreement or the validity and enforceability of the Tenancy Agreement despite the absence of lease registration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
19.	Level 3 of Block 11 No.9 Qilin Road Nankeng Village Bantian Street Longgang District Shenzhen City Guangdong Province The PRC	The property comprises Level 3 of a 7-storey building completed in about 2000. The property has a gross floor area of approximately 400 sq.m. The property is leased to Shenzhen Sihuan Pharmaceutical Co., Ltd. ("Shenzhen Sihuan"), a wholly-owned subsidiary of the Company, from an independent third party for a term commencing from 10 May 2010 and expiring on 1 March 2012 at an annual rent of RMB72,000, inclusive of management fees, water, electricity charges and other outgoings.	The property is currently occupied by the Group for storage purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement, the property is leased to Shenzhen Sihuan from an independent third party for a term commencing from 10 May 2010 and expiring on 1 March 2012 at an annual rent of RMB72,000, inclusive of management fees, water, electricity charges and other outgoings.

2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Since the Lessor has not provided the Real Estate Title Certificate, it cannot be ascertained whether the Lessor has the rights to let the property. There would be a risk that the relevant Tenancy Agreement is considered to be invalid by independent third parties or the relevant authorities in case that the Lessor has no rights to let the property; and

   b. The property has not gone through the procedure of lease registration. According to the relevant PRC laws, the Lessor may be subject to administrative punishment by the relevant real estate administrative authority. However, there is no influence on the Group's rights under the aforesaid Tenancy Agreement or the validity and enforceability of the Tenancy Agreement despite the absence of lease registration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
20.	A parcel of land located at the west of Lifengxian Village Houyi Town Yongqing County Langfang City Hebei Province The PRC	The property comprises a parcel of land with a site area of approximately 30 mu (i.e. approximately 20,000.1 sq.m.). The property is leased to Langfang Sihuan Gao Bo Pharmaceutical Co., Ltd. ("Langfang Sihuan"), a 51% interest owned subsidiary of the Company, from an independent third party for a term of half a year commencing from August 2009 and expiring in January 2010 at an annual rent of RMB1,000 per mu. The Land Lease Agreement was extended at the same rent for a term until the land use index of the development project on the property is approved by the local land resources bureau.	The property is currently partly occupied by the Group for storage and ancillary purposes and partly under construction.	No commercial value

Notes:

1. Pursuant to a Land Lease Agreement dated 27 November 2009, the property is leased to Langfang Sihuan from an independent third party (the "Lessor"), for a term of half a year commencing from August 2009 and expiring in January 2010 at an annual rent of RMB1,000 per mu. The Land Lease Agreement was extended at the same rent for a term until the land use index of the development project on the property is approved by the local land resources bureau.

2. As advised by the Group, a production building, 3 storage buildings and 2 ancillary buildings with a total gross floor area of approximately 3,350.38 sq.m. were being constructed on the property as at the date of valuation which forms a portion of a development known as plant of 300,000 tons annual output of pharmaceutical raw medicine and the pharmaceutical intermediate as referred to in property no. 8.

3. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The buildings as referred to in note 2 are lacking of legal basis and the Group's rights under the Land Lease Agreement of the property are not protected by the PRC laws; and

   b. The Group may be considered as occupying the property illegally by the relevant land administrative authority which is subject to an administrative penalty such as returning the land, reinstatement of the original land condition and demolition of the buildings within the specified time.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
21.	Unit 26 on Level 11 of Guanghua Chang'an Mansion No.7 Jianguomen Inner Street Dongcheng District Beijing The PRC	The property comprises an office unit on Level 11 of a 19-storey office building completed in about 1996. The property has a lettable area of approximately 114 sq.m. The property is leased to Beijing Gao Duan Wei Ye Biology Technical Co., Ltd. ("Gao Duan Biology Technical"), from an independent third party for a term of 2 years commencing from 18 July 2009 and expiring on 17 July 2011 at a monthly rent of RMB14,952, exclusive of management fees and other outgoings.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement, the property is leased to Gao Duan Biology Technical from an independent third party (the "Lessor"), for a term of 2 years commencing from 18 July 2009 and expiring on 17 July 2011 at a monthly rent of RMB14,952, exclusive of management fees and other outgoings for office purpose.

2. As advised by the Group, Beijing Gao Duan Wei Ye Biology Technical Co., Ltd., is the former name of Beijing Gao Duan Wei Ye Pharmaceutical Technical Co., Ltd., ("Gao Duan Wei Ye"), a 60% interest owned subsidiary of the Company.

3. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Tenancy Agreement in respect of the property is legal and valid in accordance with the PRC laws and it is binding and enforceable on both parties;

   b. The Group has the rights to use the property in accordance with the relevant Tenancy Agreement under the protection of the PRC laws; and

   c. The property has not gone through the procedure of lease registration. According to the relevant PRC laws, the Lessor may be subject to administrative punishment by the relevant real estate administrative authority. However, there is no influence on the Group's rights under the aforesaid Tenancy Agreement or the validity and enforceability of the Tenancy Agreement despite the absence of lease registration.

Set out below is a summary of certain provisions of the memorandum of association (the "**Memorandum of Association**") and bye-laws (the "**Bye-laws**") of the Company and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed and the powers of the Company. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the "**board**") upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws were conditionally adopted on 8 October 2010. The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares

in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) ***Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) ***Compensation or payments for loss of office***

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) ***Loans and provision of security for loans to Directors***

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed "Bermuda Company Law" in this Appendix.

(v) ***Financial assistance to purchase shares of the Company***

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act.

(vi) ***Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be voided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates are materially interested but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his 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;

(ee) any contract or arrangement 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 shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) 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 associates 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 accorded generally to the class of persons to which such scheme or fund relates.

(vii) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) ***Retirement, appointment and removal***

At each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one-third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement

of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) ***Borrowing powers***

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) **Alterations to constitutional documents**

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) **Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;

(v) change the currency denomination of its share capital;

(vi) make provision for the issue and allotment of shares which do not carry any voting rights; and

(vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

(d) **Variation of rights of existing shares or classes of shares**

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths 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 Bye-laws relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or (in the case of a member being a corporation) its duly authorised representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

(e) **Special resolution-majority required**

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designed Stock Exchange (as defined in the Bye-laws), 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 ninety-five per cent. (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 notice of less than twenty-one (21) clear days and not less than ten (10) clear business days has been given.

(f) **Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a poll every member present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) **Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

(h) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, 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 of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of the annual general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) **Notices of meetings and business to be conducted thereat**

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other special general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(j) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid-up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share

and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) **Power for the Company to purchase its own shares**

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) **Power for any subsidiary of the Company to own shares in the Company**

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(m) **Dividends and other methods of distribution**

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up,

provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) **Call on shares and forfeiture of shares**

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) **Inspection of register of members**

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

(q) **Quorum for meetings and separate class meetings**

For all purposes 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.

(r) **Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(s) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division

shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) **Untraceable members**

The Company may 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-year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) **Other provisions**

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in a general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in a general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice specifying the intention to propose the resolution as

a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act 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", to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account were paid-up share capital of the company except that the share premium account may be applied by the company:

(i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares; or

(ii) in writing off:

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, 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, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) **Financial assistance to purchase shares of a company or its holding company**

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount, such as the payment of minor costs.

(c) **Purchase of shares and warrants by a company and its subsidiaries**

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

(d) **Dividends and distributions**

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) **Protection of minorities**

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding-up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered

by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers, including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) **Management**

The Companies Act contains no specific restrictions 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 interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

(g) **Accounting and auditing requirements**

The Companies Act requires a company to 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 in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three-month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six-month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared

in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarised financial statements instead. The summarised financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarised financial statements sent to the company's members must be accompanied by an auditor's report on the summarised financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarised financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

(h) **Auditors**

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) **Exchange control**

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for

the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) **Taxation**

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28 March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) **Stamp duty**

An exempted company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) **Loans to directors**

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on the condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal

proceedings against them, on the condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) **Inspection of corporate records**

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarised financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarised financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) **Winding up**

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum 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 time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix IX. Any person wishing to have a detailed summary of Bermuda 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.

The following discussion is a summary of some anticipated tax consequences of our operations and of your investment in our Shares under the tax laws of the PRC, Hong Kong and Bermuda. The discussion does not deal with all possible tax consequences relating to our operations or to your investment in our Shares. In particular, the discussion does not address the tax consequences under provincial, local and other (e.g. non-PRC, non-Hong Kong and non-Bermuda) tax laws. Accordingly, you should consult your tax advisor regarding your particular tax consequences of an investment in our Shares. The following discussion is based upon laws and their interpretations in effect as of the date of this prospectus, all of which are subject to change.

PRC TAXATION

As we are not incorporated in the PRC, your investment in our Shares is largely exempt from PRC tax laws. However, because substantially all of our business operations are conducted in the PRC and we carry out these business operations through operating subsidiaries and joint ventures organised under PRC law, our PRC operations and operating subsidiaries and joint ventures in the PRC are subject to certain PRC tax laws and regulations, including those summarised below, which will indirectly affect your investment in our Shares.

Dividends from our PRC operations

Prior to 1 January 2008, dividends paid by our PRC subsidiaries or joint ventures to us were exempt from PRC income tax. On 1 January 2008, the PRC EIT Law and its implementation rules became effective. The PRC EIT Law subjects dividends payable by foreign invested enterprises, such as our PRC subsidiaries and joint ventures, to foreign investors to withholding tax at the rate of 10% unless the foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement.

Under the PRC EIT Law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in the PRC are treated as "resident enterprises" for PRC tax purposes, and will be subject to PRC enterprise income tax on their worldwide income. Dividends received by these enterprises from their PRC subsidiaries may be exempt from paying enterprise income tax to the extent such dividends are deemed as dividends among qualified PRC resident enterprises. Under the implementation rules of the PRC EIT Law, "de facto management bodies" is defined as those bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise.

On 22 February 2008, the PRC Ministry of Finance and PRC State Tax Bureau issued a joint circular, which indicated that future distributions by foreign invested enterprises to their foreign shareholders would be exempt from withholding tax under the PRC EIT Law to the extent they are distributions of profits accumulated up to 31 December 2007. Accordingly, the requirements on withholding tax under the PRC EIT Law do not impact our financial statements as of 31 December 2007.

Dividends we pay to you

Prior to 1 January 2008, PRC tax laws did not subject distributions of dividends by us to our foreign Shareholders to PRC tax, even though we have operating subsidiaries and joint ventures in the PRC, because we are not incorporated in the PRC. Effective 1 January 2008, pursuant to the PRC EIT Law and its implementation rules, dividends paid to investors that are "non-resident enterprises," to the extent such dividends are sourced within the PRC, became subject to withholding tax at the rate of 10%. It is not clear whether dividends paid to you will be subject to withholding tax under the PRC EIT Law. A non-resident enterprise for PRC tax purposes is defined to include any non-PRC incorporated enterprise that does not have an establishment or place of business in the PRC. Even if a foreign investor has an establishment or place of business in the PRC, withholding tax under the PRC EIT Law may still not be applicable if the relevant income is not effectively connected with the establishment or place of business in the PRC. Due to these new provisions in the PRC EIT Law, if we are considered a PRC resident enterprise, the dividends we pay to you on our Shares may be treated as income derived from sources within the PRC and be subject to withholding tax under the PRC EIT Law.

Transfer or disposition of our Shares

Prior to 1 January 2008, capital gains on transfers and dispositions of our Shares by foreign investors did not trigger PRC tax. Effective 1 January 2008, pursuant to the PRC EIT Law and its implementing rules, capital gains realised by "non-resident enterprises," to the extent such capital gains are sourced within the PRC, became subject to withholding tax at the rate of 10%. It is not clear whether capital gains realised on your Shares will be subject to withholding tax under the PRC EIT Law. A non-resident enterprise for PRC tax purposes is defined to include any non-PRC incorporated enterprise that does not have an establishment or place of business in the PRC. Even if a foreign investor has an establishment or place of business in the PRC, withholding tax under the PRC EIT Law may still be applicable if the relevant income is not effectively connected with the establishment or place of business in the PRC. Due to these new provisions in the PRC EIT Law, if we are considered a PRC resident enterprise, any gain you may realise from the transfer or disposition of your Shares may be treated as income derived from sources within the PRC and be subject to withholding tax under the PRC EIT Law.

Our operations in mainland China

Our operating entities in the PRC are also subject to other taxes in the PRC, including enterprise income tax, value-added tax and business tax.

Enterprise income tax

The PRC EIT Law, which became effective on 1 January 2008, replaced two separate tax regimes for foreign-invested enterprises and PRC domestic companies. Under the PRC EIT Law, both foreign-invested enterprises and domestic companies are subject to a uniform income tax rate of 25%, unless they qualify for certain reductions or exemptions. Although the PRC EIT Law revokes many of the preferential tax policies, it contemplates various transition periods and measures for such policies. Our subsidiary, Hainan Sihuan, was approved by the Hainan tax authority for a two-year exemption from enterprise income tax from 2003 and a 50% reduction in the applicable enterprise income tax rate for six years beginning 2005. According to the relevant PRC laws, as an enterprise

established in the Hainan Special Economic Zone, the applicable enterprise income tax rate for Hainan Sihuan was 15%, which was the basis of Hainan Sihuan's exemptions and reductions before the implementation of the PRC EIT Law. Consequently, Hainan Sihuan was exempt from EIT for 2003 to 2004 and entitled to a half reduced preferential tax rate of 7.5% from 2005 to 2007. Due to the enforcement of the PRC EIT Law in 2008, Hainan Sihuan was approved to continue to enjoy the remaining half reduced preferential tax period from 2008 by the Hainan tax authority on the basis of a transition tax rate till it expires in 2010: 9% for 2008, 10% for 2009, and 11% for 2010. Upon the expiration of these preferential treatments, Hainan Sihuan may still be entitled to a preferential tax rate of 15% as a "High and New Technology Enterprise" under the PRC EIT Law after completing certain procedures. Our subsidiary, Shenzhen Sihuan, was also eligible for a preferential tax rate of 15% before the implementation of the PRC EIT Law. According to transitional period preferential tax policies after the introduction of the PRC EIT Law, the tax rate applicable to Shenzhen Sihuan shall gradually increase to the uniform tax rate of 25% under the PRC EIT Law within five years starting from 2008. Our subsidiary, Beijing Sihuan, has been designated by relevant government authorities as a "High and New Technology Enterprise" and is entitled to a preferential tax rate of 15% under the PRC EIT Law.

The preferential tax treatments currently enjoyed by Hainan Sihuan may not be in full compliance with current effective regulations and laws of the PRC. There remains uncertainty as to whether we can maintain such preferential tax treatments from 2008 to 2010 and the tax authority may request us to make a supplementary tax payment for the amount of EIT which we might underpay.

Value-added tax

According to relevant tax laws and regulations of the PRC, all entities and individuals engaged in the sale of goods, the provision of processing, repairs and replacement services, and the importation of goods into the PRC are generally required to pay value-added tax ("**VAT**") at a rate of 17% of the gross sales proceeds received, less any deductible VAT already paid or borne by the taxpayer. We are subject to a 17% VAT with respect to our pharmaceutical manufacturing and sales activities in the PRC.

Business tax

According to the relevant tax laws and regulations of the PRC, all entities and individuals who provide labour services, assign intangible assets or sell real property within the territory of the PRC shall be subject to business tax. The applicable business tax rate for each taxpayer is dependent on the nature of the business. Our research institutions engaging in research and development services in the PRC are required to pay business taxes at the rate of 5%. However, these institutions have applied for exemption according to relevant regulations and rules and are currently exempt from business tax.

HONG KONG TAXATION

Dividends

Under the current practice of the Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends we pay to our Shareholders. Dividends distributed to our Shareholders are free of withholding taxes in Hong Kong.

Capital gains and profit tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of our Shares. Trading gains from the sale of our Shares by persons carrying on a business in Hong Kong, where such gains are sourced in Hong Kong and arise from such business, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 16.5% and on individuals at a maximum rate of 15.0%. Gains from sale of our Shares effected on the Stock Exchange will be considered to be sourced in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sale of our Shares effected on the Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of our Shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, our Shares transferred on each sale and purchase. In other words, a total of 0.2% of stamp duty is currently payable on a typical sale and purchase transaction of our Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK$5. Where a sale or purchase of our Shares is effected by a non-Hong Kong resident and any stamp duty payable on the contract notes is not paid, the relevant instrument of transfer (if any) will be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee will be liable to pay such duty.

BERMUDA TAXATION

At the date of this prospectus, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or its members, other than members ordinarily resident in Bermuda. Further, no such tax is imposed by withholding or otherwise on any payment to be made to or made by the Company.

An assurance has been received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 to the effect that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not until 28 March 2016 be applicable to the Company or to any of its operations or to the shares, debentures or other obligations of the Company except in so far as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the Company or to any land leased or let to the Company.

The Company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates, essentially, to real and personal property physically situated in Bermuda, including the shares of local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from stamp duty.

REGULATION OF FOREIGN INVESTMENT

Foreign investment catalogue

On 31 October 2007, the National Development and Reform Commission and the Ministry of Commerce jointly promulgated a new version of the Foreign Investment Catalogue to repeal the version formerly promulgated on 30 November 2004. The Foreign Investment Catalogue became effective from 1 December 2007. The permissibility to invest in a particular industry by a foreign investor in China is determined by such Foreign Investment Catalogue. The Foreign Investment Catalogue categorised foreign investment in various industries into three categories: encouraged, restricted and prohibited. Foreign investment belonging to none of these three categories is permitted. Foreign investment in the encouraged category is entitled to receive certain benefits and incentives extended by the government. Foreign investment in the restricted category is permitted but must comply with applicable restrictions under PRC law. Foreign investment in the prohibited category is not allowed. With respect to the pharmaceutical industry, the category to which a particular foreign invested pharmaceutical manufacturer belongs under the Foreign Investment Catalogue is mainly dependent upon the type of products manufactured by such pharmaceutical manufacturer.

Under the Foreign Investment Catalogue, foreign invested pharmaceutical manufacturers are encouraged in engaging in the following types of activities:

- manufacture of new compound drugs or active pharmaceutical ingredients (including raw materials and pharmaceutics);
- manufacture of amino acids: serine, tryptophan, histidine, etc.;
- manufacture of new anti-carcinogens and new cardio-cerebral vascular medicines;
- manufacture of new, high efficiency and economical contraceptive pills and devices;
- manufacture of new medicines that are produced by using biological engineering technologies;
- manufacture of high physiological activity of fluorine-containing drugs such as heterocyclic fluoride and their intermediates;
- manufacture of genetic engineering vaccines (AIDS vaccines, hepatitis C vaccines, contraceptive vaccines, etc.);
- manufacture of biological vaccines;
- manufacture of the BCG and poliomyelitis vaccines;
- development and manufacture of maritime medicines;
- manufacture of manufactured pharmaceutical products: new types of pharmaceutical products and new products which use new technology slow-releasing, controlled releasing, target treatment, absorption treatment;

- development and applications of new medical adjuvants;
- manufacture of biomedical materials and products (excluding processing of corpses, corpse samples, human body organs or tissues and their samples);
- antibacterial agents for animal use (including anti-infective and chemical compounds);
- development and manufacture of new products and new-type preparations of antiseptic, anthelmintic, insecticides and anti-coccidium for animal use; and
- manufacture of new diagnostic reagent.

Under the Foreign Investment Catalogue, foreign invested pharmaceutical manufacturers are restricted from engaging in the following types of activities:

- production of chloramphenicol, penicillium G, gentamicin, dihydrostreptomycin, amikacin, tetracycline hydrochloride, terramycin, medemycin, leucomycin, gyro-c-norfloxacin, norfloxacin, fluorine acid;
- production of analgin, acetaminophen, vitamin B1, vitamin B2, vitamin C, vitamin E, multivitamin preparations and oral calcium salt;
- production of vaccines listed in the national immunity plan (excluding BCG and tephromyelitis vaccines), bacterial vaccine and antitoxin, toxoid (baibaipo, measles, epidemic encephalitis B, epidemic cerebrospinal meningitis vaccine and others);
- production of narcotic drugs and type A raw material drugs to be used to produce drugs to treat psychological diseases (Chinese party holding majority interest);
- production of blood related products;
- production of disposable syringes, transfusing devices, blood transfusion apparatus and blood bags; and
- wholesale, retail and logistic distribution of medicines.

Under the Foreign Investment Catalogue, foreign invested pharmaceutical manufacturers are prohibited from engaging in the following types of activities:

- processing Chinese medicine materials listed in Regulations on the Protection of Wild Medicinal Resources and List of Protected Chinese Rare and Endangered Plants; and
- productions of traditional Chinese medicines prepared in ready-to-use forms by application of technologies such as simmering, stir-frying, moxibustion and ustulation or based on confidential prescription of traditional Chinese medicines.

REGULATION OF THE PHARMACEUTICAL INDUSTRY IN THE PRC

Research and development of new pharmaceutical products

Institutions engaging in research for application for clinical trials and production of medicines are required to register in accordance with Pharmaceutical Product Research Institution Filing Procedures (Trial) (藥品研究機構登記備案管理辦法(試行)). Research institutes engaging in conducting clinical trails of medicines are required to carry out their clinical trials in accordance with Administrative Standards of Pharmaceuticals Clinical Trails (藥物臨床試驗質量管理規範) which applies to the design, organisation, implementation, supervision, record, analysis and reporting of clinical trials conducted upon the approval from the SFDA. Research institutes engaged in conducting non-clinical research are required to carry out their research activities in accordance with Administrative Standards of the Pharmaceuticals Non-clinical Research (藥物非臨床研究質量管理規範) which applies to the research on, among others, synthetic techniques, extraction method, chemical nature and purity, forms of intake, production method, examination method, quality standard, stability, and toxicity studies of a medicine conducted prior to the submission of the application for clinical trials to the SFDA. If any pre-clinical trial research and clinical research conducted for clinical application trial and sale and anything in the application procedures for registration of medicines are in violation of the relevant rules and regulations, SFDA will handle such cases according to Measures regarding Incompliance with Relevant Rules of Research and Application for Registration of Medicines (藥品研究和申報注冊違規處理辦法).

Manufacturing of pharmaceutical products

Qualification requirements

Manufacturing license and approval

Each pharmaceutical manufacturing enterprise is required to obtain a pharmaceutical manufacturing license (藥品生產許可證) and a business license.

Pursuant to the Law on the Administration of Pharmaceuticals of the PRC (中華人民共和國藥品管理法), its implementation regulations (中華人民共和國藥品管理法實施條例) and Measures on the Supervision and Administration of the Manufacture of Pharmaceuticals (藥品生產監督管理辦法), the pharmaceutical manufacturing license is issued by local drugs administrative authority at the provincial level. The license 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 fulfill the required standards. Each pharmaceutical manufacturing license is valid for five years. The pharmaceutical manufacturing enterprise must apply for an extension six months prior to the license's expiration, and extension is only granted after re-evaluation by the relevant authority. The business license is issued by the administrative agency in charge of industry and commerce.

GMP

A GMP certificate is required for the production of each dosage form. Good Manufacturing Practices ("**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 minimising 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 (藥品生產質量管理規範), which was subsequently amended in 1992 and 1998. 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, the predecessor of the SFDA, 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 license will not be renewed. Manufacturers engaged in the production of powder for injectable, including freeze-dry powder, large volume parenteral solution and genetically engineering 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 liquid for injection 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 Measures on the Administration of for Certification of GMP (藥品生產質量管理規範認證管理辦法) promulgated by the SFDA on 7 September 2005, GMP certificates are valid for a term of five years. 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. Such renewal is only granted upon re-examination by the relevant authority.

Our PRC legal advisor confirmed that all of our PRC subsidiaries have obtained the GMP Certificate according to PRC laws.

Registration of pharmaceutical products

In addition to compliance with qualification requirements evidenced by possession of relevant permits, licenses and certificates, pharmaceutical manufacturers are required to register each of their products with the SFDA to obtain an approved pharmaceutical number 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 Administration of Pharmaceutical Products Registration (藥品注冊管理辦法), promulgated by the SFDA on 10 July 2007 and became effective on 1 October 2007, new pharmaceutical products refer to those not yet being launched in PRC market. 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 and biochemical products, each 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 of 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.

Upon the completion of pre-clinical research, pharmaceutical manufacturers are required to obtain approval from the SFDA prior to commencement of clinical trails of a new pharmaceutical product. Application materials, including relevant pre-clinical research 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. For biological products, the SFDA will collect three sets of drug samples for examination by the drug inspection bureau appointed by the SFDA. The SFDA will conclude the review opinions, on-site inspection report, drug inspection report (if any) and pre-clinical research information of the provincial authorities, and then organise an expert committee made up of pharmaceutical experts and other specialists to conduct technical assessments of the new pharmaceutical product to consider whether an approval for clinical trails should be granted.

With the approval for clinical trails, the pharmaceutical manufacturers may conduct clinical trails. 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). The number of tested cases of clinical trials shall accord with the aim of each phase of clinical trails and relevant statistical requirements, and shall not be less than the minimum number of clinical trail cases set forth in the Measures on the Administration of Pharmaceutical Products Registration (藥品注冊管理辦法). In the case of rare disease, special disease and other exceptional circumstances, application for reducing the number of clinical trail cases or exemption from clinical trails may be submitted to SFDA for approval.

Upon completion of clinical research, the applicant must also apply for an approval to manufacture the new pharmaceutical product. Application materials, including relevant clinical trial 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. 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 Assessment Centre of the SFDA, which will conduct a final assessment. If technical assessment is passed, the Assessment Centre of the SFDA would notify the applicant to apply for on-site examination of production and inform the Certification Centre of the SFDA. The Certification Centre will conduct an on-site inspection, within 30 days after receipt of the application by the applicant, on the process of bulk production of samples and confirm the feasibility of the assessed production process. One set of samples will be delivered to another drug inspection

bureau to re-examine the standard of the pharmaceutical product, and the results will be reported to the Assessment Centre of the SDFA. The Assessment Centre will then consolidate the results from the on-site examination and sample examination to form an opinion to report to the SDFA for approval. The SDFA will consider whether an approval for registration of the new product should be granted. If approved, the applicant will be granted a Certificate of New Medicine and an approved pharmaceutical number. The manufacturer may then commence mass production of the new pharmaceutical product.

The SFDA may stipulate a monitoring period of 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, change 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 commencement of the monitoring periods for such new pharmaceutical products. 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 for their generic pharmaceutical products or for the import of pharmaceutical products.

Registration of generic pharmaceutical products

Generic pharmaceutical products are those that have already been launched on PRC market and are with national standard set by the government.

For generic pharmaceutical products, the applicants only need to go through two processes which are the pre-clinical research and application for production. For oral solid agents, a bio-equivalence test shall also be conducted in accordance with the requirements of the SDFA (approval from the SFDA is required before undergoing this test), while other agents would directly obtain the production approval after assessment and approval of the SFDA.

The assessment procedure for applications for production of generic pharmaceutical products is simpler compared to that of new pharmaceutical products. Upon submission of pre-clinical research information to the SFDA at the provincial level by applicants, the SFDA at the provincial level will review the application materials and conduct production site visits. Three consecutive production batches of drug samples will be collected from the applicant's production site for examination by the drug inspection bureau. The SFDA at the provincial level and the drug inspection bureau will submit review opinions, on-site inspection reports, drug inspection reports and pre-clinical research information to the Assessment Centre of SFDA, which will conduct a final assessment. The Assessment Centre will then consolidate the results from the review of opinions and submission materials to form an opinion to report to the SDFA for approval. The SFDA will then arrange a technical assessment to determine whether such application should be approved.

On 7 January 2009, the SFDA promulgated the Administrative Measures on the Special Examination and Approval of New Pharmaceutical Products Registration (新藥注冊特殊審批管理規

定), which provided that certain types of new pharmaceutical products may apply to go through the special examination and approval process when submitting the application of clinical trials or the application of production. Under the special examination and approval process, the new pharmaceutical products will enjoy priorities with respect to the registration.

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.

Protection of pharmaceutical products in China

Protection under patent law

According to the Patent Law of the PRC (中華人民共和國專利法) promulgated on 12 March 1984 and amended on 4 September 1992, 25 August 2000 and 27 December 2008, patent protection is divided into three categories, namely, 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 of product shape, graphics, or their combination or their combination with colour which have aesthetic and industrial application value.

Invention patent

The products seeking invention patent protection must possess characteristics such as novelty, innovation and practicability. The grant of an invention patent is subject to disclosure and publication requirements. Normally, the patent administrative authority will publish the application 18 months after the application is filed, which may be shortened upon request by the applicant. The patent administrative authority will conduct a substantive review as required by applicant within 3 years from application or if necessary at its discretion. If there is no cause for rejection of the invention patent application after substantive review, the patent administrative authority will issue the certificate of invention patent and announce and register the grant 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 characteristics such as novelty, innovation and practicability. A utility patent is granted and registered upon application unless there are reasons for the patent administrative authority to reject the application after preliminary review. The utility patent is also subject to disclosure and publication requirements upon application. The term of protection is ten years from the date of application.

Once a 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 known to the public or infringing upon third parties' legal rights. The application procedure and term of protection is the same as that of the 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, Patent Law requests that the parties first attempt to settle the dispute through consultation. 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 law suit with a competent court or file an administrative complaint with the relevant patent administration authority under the State Intellectual Property Office. A PRC court may issue a preliminary injunction upon the patent holder's or an interested party's request before instituting 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 either manner mentioned above, damages may be determined by using a reasonable multiple of the license fee under a contractual license. 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.

Protection under trademark law

The Trademark Law of the PRC (中華人民共和國商標法) was promulgated in August 1982 (later amended on 22 February 1993 and 27 October 2001) and Implementation Regulations on the Trademark Law of the PRC (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 the SAIC ("**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 on the same or similar kind of commodities of the trademark registrant's without the authorisation of the trademark registrant;

- sale of commodities infringing upon the exclusive right to use the registered trademark;
- counterfeiting or making, without authorisation, representations of a registered trademark, 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 other person's exclusive right to use a registered trademark.

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 in illegal pharmaceutical trading markets;
- 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 labelling 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. Such permits are 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 SFDA 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.

Pursuant to the Administrative Rules on Foreign Investment in Commercial Industry (外商投資商業領域管理辦法), promulgated on 16 April 2004 and effective from 1 June 2004, foreign investors are not permitted to engage in the business of wholesale or retail sales of pharmaceutical products prior to 11 December 2004. Subsequent to that date, foreign enterprises were permitted to establish

or invest in wholly foreign-owned enterprises or joint ventures to engage in wholesale or retail distribution of pharmaceutical products in commercial areas in China. In relation to retail distribution, certain restrictions remained, including among others, the number and size of the retail outlets which a foreign investor is permitted to establish. Foreign ownership may not exceed 49% for pharmacy chains with more than 30 outlets carrying a variety of brand named pharmaceutical products sourced from different suppliers.

Good supply practice or GSP

Each distributor of pharmaceutical products is required to obtain GSP certification. GSP is a set of quality guidelines on the distribution of pharmaceutical products. The GSP certificate 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 certificate is valid for five years. The certificate holder must apply for 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 centres at or above regional and municipal levels were required to obtain the GSP certificate by the end of 30 June 2004; and those located at urban centres at or above county levels were to be completed by the end of December 2004.

Prescription pharmaceuticals and OTC 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 intake. 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. 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 Catalogue 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 implemented 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 only relate to those included in the National Medicine Catalogue, Provincial Medicine Catalogue, and those deemed by the government to be pharmaceutical products 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.

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.

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 diseases related to vitamin or mineral deficiencies.

Further, according to the Notice Regarding Further Improvement of the Order of Market Price of Pharmaceutical Products and Medical Services (關於進一步整頓藥品和醫療服務市場價格秩序的意見) jointly issued by the National Development and Reform Commission, the State Council, the MOH, the SFDA, the Ministry of Finance and the Ministry of Labour and Social Security on 19 May 2006, pursuant to which, the government will exercise price control over pharmaceutical products included in the National Medicine Catalogue and Provincial Medicine Catalogue, and to make an overall adjustment of their prices by reducing the retail price of certain overpriced pharmaceutical products and to increase the retail price of certain underpriced pharmaceutical products with demand for clinical use but have not been produced in large quantities by manufacturers due to their low retail price levels. In particular, the retail price charged by hospitals at the county level or above may not exceed 115% of the procurement cost of the relevant pharmaceutical products or 125% for certain Chinese medicine products.

On 9 November 2009, NDRC, MOH and the Ministry of Labour and Social Security jointly promulgated the Notice on Issuing Opinions on Reforming the Price Formation System of Medicine

and Medical Services (關於印發改革藥品和醫療服務價格形成機制的意見的通知). According to the notice, in addition to drugs included in the National Medicine Catalogue, Provincial Medicine Catalogue and certain drugs whose production or trading tend to create monopolies, drugs listed in the National List of Essential Drugs are subjected to government price control. The prices of other drugs are still determined by the market conditions and not subject to government price control.

On 5 March 2010, NDRC promulgated the Notice on Relevant Issues Regarding the Revising of the Catalogue of Medicine Subject to NDRC Price Control (關於調整《國家發改委定價藥品目錄》等有關問題的通知), which issued the year 2009 version of the Catalogue of Medicine Subject to NDRC Price Control (國家發改委定價藥品目錄).

On 1 July 2010, the NDRC issued the Notice on a Survey of Certain Pharmaceutical Products' Ex-factory Prices (《國家發改委辦公廳關於對部分藥品進行出廠價格調查的通知》). According to the notice, the scope of the survey mainly includes new drugs to the medical insurance which have not yet been priced and some other medicines which have been priced, with a variety of 896 drugs and 927 pharmaceutical manufacturers. The survey covers the wholesale prices of the drugs, financial information and operations of the pharmaceutical manufacturers. The manufacturers to be surveyed shall fill in the investigation forms and file relevant documents and materials such as drug manufacturing permit, new medicine certificate, patent certificate, sales policies, sales contracts, accountant report and so on with the provincial administration of price. The provincial price authority will examine and check the drug sales methods and wholesale prices of the surveyed manufacturers, issue a investigation report and file it together with the materials the manufacturers provided with the NDRC. All the manufacturers to be surveyed were required to submit relevant information by 30 September 2010.

Procurement system

According to the Notice on Issuing Certain Regulations on the Trial Implementation of Centralised Procurement of Pharmaceutical Products by Medical Organisations (關於印發醫療機構藥品集中招標採購試點工作若干規定的通知) promulgated on 7 July 2000 and the Notice on Further Improvement on the Implementation of Centralised Procurement of Pharmaceutical Products by Medical Organisations (關於進一步做好醫療機構藥品集中招標採購工作的通知) promulgated on 8 August 2001, non-profit medical institutions established by the government in the county level or higher are required to implement a collective tender system for the procurement of pharmaceutical products. According to the relevant laws and regulations of the PRC, the above mentioned medical institutions are subject to a collective tender process when they procure pharmaceutical products listed in the National Medicine Catalogue and Provincial Medicine Catalogue for patients in towns or counties, when they purchase pharmaceutical products in bulk volume or when they purchase pharmaceutical products that are commonly prescribed for clinical use.

The collective tender process takes the form of public tender jointly organised by several medical institutions or 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 conflict of interest with government authorities.

The bids are assessed by a committee organised 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. A medical institution is not permitted to bid for the same type of product more than twice a year.

According to the Notice on Price Policy of the Implementation of Centralised Tender Purchase of Drugs by Medical Organisations (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 in a timely manner. For pharmaceutical products whose prices are determined by medical institutions themselves, medical institutions are also required to report the actual retail price after adjustment to the government authority in charge of price control in a timely manner for record.

On 17 January 2009, MOH, SFDA and other four national departments jointly promulgated the Opinions on Further Regulating Centralised Procurement of Pharmaceutical Products by Medical Organisations (關於進一步規範醫療機構藥品集中採購工作的意見). According to the notice, non-profit medical institutions owned by the government at the county level or higher or owned by state-owned enterprises (including state-controlled enterprises) shall participate in the collective tender process of pharmaceutical products. Each provincial government shall formulate its catalogue of pharmaceutical products subject to collective tenders. Except for pharmaceutical products in the National List of Essential Drugs (the procurement of which shall comply with the relevant rules on National List of Essential Drugs), certain pharmaceutical products which are under the national government's special control and Chinese medicines, in principle, all pharmaceutical products used by the medical institutions shall be covered by the catalogue of pharmaceutical products subject to collective tenders. Additionally, the collective tenders shall be held one time per year in principle.

National List of Essential Drugs

On 18 August 2009, the MOH and eight other ministries and commissions in China issued the Measures on the Administration of National Catalogue of Essential Drugs (國家基本藥物目錄管理辦法(試行)), and the Implementation Opinions on the Establishment of the National 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 to be 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 MOH promulgated the National List of Essential Drugs (Catalogue 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, central town clinics, rural clinics and community clinics. Pharmaceutical sales from such basic medical institutions comprise a small part of the pharmaceutical market in China.

National Medicine 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 enrol their employees in a basic medical insurance program with the resulting insurance premium 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 insurance premiums 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) jointly issued by several authorities, among others, including the Ministry of Labour and Social Security and the Ministry of Finance on 12 May 1999 further requires that a pharmaceutical product included in the National Medicine Catalogue must be necessary in clinical use, safe, effective, reasonably priced, user friendly, available in the market and meet one of the following requirements:

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

The National Medicine 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 at the provincial level may, based on local economic development, medical demand and medical treatment habit, adjust up to 15% of the total species number of that part. As a result, the contents of Part B in the National Medicine Catalogue may differ from region to region in China. Patients purchasing drugs included in Part A of the National Medicine Catalogue are entitled to reimbursement of the entire amount of purchase price while patients purchasing drugs included in Part B of the National Medicine Catalogue are required to pay a deductible and obtain reimbursement for the remainder of the purchase price. 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 subsidising 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 10 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 US$1.5) per year from the central government. In addition, local governments in the middle and western regions of China are required to subsidise no less than RMB10 (equivalent to approximately US$1.5) per person per year and those in the eastern regions of China were encouraged to aim to subsidise up to RMB20 (equivalent to approximately US$3) 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 the central government increased the amount of subsidy, for the rural residents in middle and western regions of China, from RMB10 (equivalent to approximately US$1.5) per person per year to RMB20 (equivalent to approximately US$3) per person per year. In addition, local governments were required to increase the amount of subsidy by additional RMB10 (equivalent to approximately US$1.5) per person per year. Local governments with difficulties in meeting the payment obligation may increase the amount of subsidy by additional RMB5 (equivalent to approximately US$0.7) 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 subsidised by the central government.

Labelling and packaging requirements

Under PRC law, the content on the labels and directions of pharmaceutical products must be approved by the SFDA and such contents must be true, accurate and not contain inappropriate advertisement. The packaging and labelling format and colour of the same product of the same specification manufactured by the same company must be consistent. According to the Administrative Measures Regarding the Directions and Labels of Pharmaceutical Products (藥品說明書和標簽管理規定) 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 the directions of pharmaceutical products are required to follow the terminologies promulgated by the national government. 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, application 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, 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, would regulate 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.

Advertising restrictions

An enterprise seeking to advertise its pharmaceutical products must apply for an advertising approval code. The code is issued by the relevant local administrative authority. Prescription drugs may only be advertised in medical or pharmaceutical publications approved by both the MOH and the relevant department of the State Council. Prescription drugs may not be advertised in the mass media or promoted to the public by any means.

Classification of medical institutions

According to the Measures on the Assessment of Medical Institutions (醫療機構評審辦法) promulgated by MOH on 21 July 1995 and the Basic Standard of Medical Institution (醫療機構基本標準) promulgated by MOH on 2 September 1994, medical institutions in PRC are classified into three classes according to competent authorities' assessment. Each of the three classes is further divided. Class I and Class II are divided into three ranks while Class III is divided into four ranks. The highest class and rank are Class III and Rank I.

The assessment standards consist of various factors including the medical institution's capacity, equipment condition, management condition, setting of departments, number of professionals and amount of registered capital. Medical institutions having larger capacity, better management, more equipment, departments, professionals and registered capital will be classified into higher classes and ranks.

The MOH regulates and leads the assessment of Class III-Rank I hospitals and aid centres and clinical inspection centres above provincial level, while the medical institution assessment committee at national level assesses the other above mentioned institutions. The provincial health departments and the medical institution assessment committee at the provincial level are responsible for the assessment of Class III (other than Class III-Rank I) and Class II hospitals and other certain medical institutions. The health department and medical institution assessment committee at city and county level are responsible for the assessment of Class I medical institutions.

The assessment cycle is three years for hospitals, health centres for women and children, treatment centres, health centres, emergency aid institutions, clinical inspection centres, specialist disease prevention and treatment institution, nursing centre and medical institutions with 20 or more beds. The assessment cycle for other medical institutions is two years.

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 authority 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 environmental protection authority of 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 such 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 by the National People's Congress on 5 September 1987, last amended on 29 April 2000 and effective on 1 September 2000, the environmental protection authorities above the county level are in charge of exercising unified supervision and administration of prevention and control of air pollution. The environmental protection 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. Manufacturers discharging polluted air must pay polluted air discharging fees. If a manufacturer emits polluted air exceeding national or local standards, it must correct its action during a 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 National People's Congress on 11 May 1984 and amended on 15 May 1996 and 28 February 2008, the environment protection authority 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 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 would be subjected to fines amounting to two to five times of the water pollutants treatment fees. Additionally, the environmental protection authority has the right to order such manufacturer to correct their actions by reducing the amount of discharge during a stipulated period of time by restricting or suspending their operations. If the manufacturer fails to correct its action at the expiration of the stipulated period, the environmental protection authority may, subject to relevant government's approval, shutdown the manufacturer.

OCCUPATIONAL HEALTH AND SAFETY

Pursuant to the Labour 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 and providing employees with occupational training to prevent occupational injury.

Pursuant to the Labour Contract Law of the PRC (中華人民共和國勞動合同法) promulgated by the National People's Congress on 29 June 2007 and effective on 1 January 2008, employers shall, when employing labour, truthfully inform prospective employees of the job description, working conditions, location, occupational hazards, availability of safety equipment, amount of remuneration, as well as other conditions as requested by the labour.

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

OTHER REGULATIONS

Regulation of overseas listings

On 8 August 2006, the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the SAIC, the CSRC, and 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. Chapter IV (Foreign Investors' Merger with and Acquisition of Domestic Companies Based on the Payment of Equities) of 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. Our PRC legal advisor confirms that we are not required to obtain any approval from the CSRC for the Global Offering and the Listing.

Foreign exchange regulation

Pursuant to 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 (關于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 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, SAFE issued the 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). On 9 June 2009, SAFE issued the Notice of Printing and Distributing the Operating Rules for foreign exchange administration under capital accounts (關於印發《資本項目外匯管理業務操作規程（2009年版）》的通知).

According to our PRC legal advisor, all our Shareholders subject to this registration requirement have duly complied with their obligation to register with the local counterparts of the SAFE.

Regulation on anti-unfair competition

Pursuant to the Anti-Unfair Competition Law of the PRC (中華人民共和國反不正當競爭法) enacted by the Standing Committee of the National People's Congress on 2 September 1993 and became effective on 1 December 1993, eleven types of unfair competition behaviors are regulated and prohibited by the PRC government. Among them, a manufacturer or a distributor of Pharmaceutical products may not involve in the following eight types of prohibited unfair competition behaviors:

- Infringing others' rights on trademarks or other logos. A business operator is prohibited from counterfeiting another's registered trademark; using the name, packaging, or decoration unique to a well-known product without authorization, or using any name, packaging, or decoration similar to that of a well-known product, thereby creating confusion in distinguishing the product concerned from another's well-known product and causing the purchasers to mistake the product for the said well-known product; using another's enterprise or personal name without authorization, thereby misleading people to mistake its product for another's product; and using on a product any forged or counterfeited quality mark such as certification mark, mark of fame, etc., falsifying the place of origin, or making a misleading and false representation as to the quality of a product;

- Abusing one's monopoly position. A public utility enterprise, or a business operator that is in a monopoly position pursuant to the law, shall not restrict others to purchasing commodities from the operator designated by such enterprise or monopoly operator so as to exclude other operators that are in fair competition;

- Committing bribery. A business operator shall not commit bribery by offering property or by other means in order to sell or purchase commodities. However, a business operator that sells or purchases commodities may offer a discount to the other party in an explicit manner or pay commission to a broker;

- Advertising misleadingly. No business operator may, through advertising or by any other means, create misleading and false publicity in respect to a product's quality, components, performance, purposes, producer, life cycle, place of origin, etc.

- Infringing business secrets. No business operator may infringe any business secret by any of the following means: obtaining other's business secret by theft, luring by promise of gain, duress, or any other unfair means; disclosing, using, or permitting others to use other's business secret obtained by the above-mentioned means; disclosing, using, or permitting others to use other's business secret violating an agreement to keep the trade secret confidential;

- Selling commodities at a below cost price for the purpose of excluding competitors;

- Fabricating or spreading any falsified information to harm the goodwill of competitors or the reputation of their products;

- Colluding in biddings in order to raise or lower the bid price.

The violators may be confiscated the illegal gains, imposed a fine, revoked business license depending on the seriousness of their violations. Where their violations constitute a criminal offense, criminal liability will be imposed on them accordance with the criminal law.

Product liability and customer protection

The General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》), which was promulgated on 12 April 1986 and effective as of January 1987, states that producers and sellers of defective products causing property damage or injury may incur civil liabilities.

The Tort Law of the People's Republic of China (《中華人民共和國侵權責任法》), which was promulgated at 12 April 1986 and effective as of 1 January 1987, contains one special chapter which deal with the product liability issue. It is stipulated in such law that the producer and the seller, in addition to their tort liability for damages to other persons due to defects existing in the products, shall take remedial measures such as issuance of warning, recall of products, etc., in a timely manner and that if the products are produced and sold even with known defects therein, causing deaths or severe damage to the health of others, the person infringed therefrom shall have the right to claim respective punitive damages according to law.

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) was implemented as of 1 September 1993 and was amended on 8 July 2000 for the purpose of strengthening the quality control of products and protecting consumers rights. Such law states that producers producing defective products may undertake criminal liability and be subject to the penalty of revocation of business licensees.

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 implemented 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 produce 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.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated as an exempted limited liability company in Bermuda under the Bermuda Companies Act on 26 April 2006. Our Company has established, and registered, its principal place of business in Hong Kong at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong and has been registered with the Companies Registry in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance. Mr. Ngai Wai Fung has been appointed as agent of our Company for acceptance of service of process and notices in Hong Kong. The address for acceptance of service of process in Hong Kong of Mr. Ngai Wai Fung is 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong.

As our Company was incorporated in Bermuda, it operates subject to the laws of Bermuda and its constitutive documents comprising the Memorandum of Association and Bye-Laws. A summary of the relevant provisions of our Memorandum of Association and Bye-Laws and the relevant aspects of the Bermudan company law is set out in Appendix V to this prospectus.

2. Changes in share capital

As of the date of our incorporation, our authorised share capital was US$12,000, divided into 12,000 shares of a par value of US$1.00 each. The following sets out the changes in our share capital since the date of our incorporation:

(1) On 6 December 2006, the authorised share capital of the Company was increased from US$12,000 to US$12,000,000 by the creation of 11,988,000 new shares of US$1.00 each.

(2) On 7 February 2007, every existing share of US$1.00 was subdivided into 50 shares of US$0.02 each such that the authorised share capital of the Company became US$12,000,000 divided into 600,000,000 shares of US$0.02 each ("US$ Shares").

(3) On 7 October 2010, shareholders' resolutions were passed to approve, among other things, the following:

(i) the authorised share capital of the Company was increased by HK$6,000,000 by the creation of 600,000,000 Shares of a par value of HK$0.01 each;

(ii) 600,000,000 fully paid Shares were allotted and issued to the holders of the then existing issued US$ Shares appearing on the register of members of the Company immediately prior to such issuance and allotment of Shares in proportion to their shareholdings (the "Swap Issue");

(iii) following the Swap Issue, all then existing 420,000,000 US$ Shares in issue immediately prior to the Swap issue were repurchased and cancelled; and

(iv) the authorised but unissued share capital of the Company was reduced by the cancellation of all 600,000,000 unissued US$ Shares.

On 8 October 2010, Shareholders' resolutions were passed to approve an increase in the authorised share capital of the Company from HK$6,000,000 to HK$100,000,000 by the creation of 9,400,000,000 new Shares, the Capitalisation Issue, the allotment and issue of the Offer Shares and the grant of the Over-Allotment Option.

Immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Over-Allotment Option is not exercised, our authorised share capital will be HK$100,000,000 divided into 10,000,000,000 Shares, of which 5,000,000,000 Shares will be issued fully paid or credited as fully paid, and 5,000,000,000 Shares will remain unissued. There is no present intention to issue any of the authorised but unissued share capital of the Company.

Save as aforesaid, there has not been any alteration in the share capital of our Company within the two years immediately preceding the date of this prospectus.

3. Written resolutions of our Shareholders passed on 8 October 2010

Pursuant to the written resolutions of our Shareholders passed on 8 October 2010:

(a) our Company conditionally approved and adopted its new Bye-Laws;

(b) the authorised share capital of our Company was increased from HK$6,000,000 to HK$100,000,000 by the creation of 9,400,000,000 new Shares;

(c) conditional on the same conditions as stated in the sub-section headed "Conditions of the Hong Kong Public Offering" in the section headed "Structure of the Global Offering":

  (i) the Global Offering (including the Over-Allotment Option) was approved and the Directors were authorised to allot and issue the Shares pursuant thereto;

(d) conditional on the share premium account of our Company being credited as a result of the issue of Shares pursuant to the Global Offering, the Directors were authorised to capitalise the amount of HK$32,800,000 from the amount standing to the credit of the share premium account of our Company to pay up in full at par 3,280,000,000 Shares for allotment and issue to the person(s) whose name(s) appear(s) on the register of members of our Company at the close of business on 27 October 2010, pro-rata to its/their then existing shareholdings in our Company;

(e) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than pursuant to Shares issued as a result of rights issue, scrip dividend or similar arrangement, Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue and to be issued as mentioned herein (including but not limited to Shares which may be issued pursuant to the exercise of the Over-Allotment Option) until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Bye-Laws or any applicable law of Bermuda to be held, or the revocation of variation by an ordinary resolution of our Shareholders in a general meeting, whichever is the earliest; and

(f) a general unconditional mandate was given to the Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued under the Over-Allotment Option until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Bye-Laws or any applicable law of Bermuda to be held, or the revocation of variation by an ordinary resolution of our Shareholders in a general meeting, whichever is the earliest.

Immediately following the Global Offering becoming unconditional and the issue of Shares as mentioned herein being made, but taking no account of any Shares which may be issued upon the exercise of the Over-Allotment Option, the authorised share capital of our Company will be HK$100,000,000 divided into 10,000,000,000 Shares and the issued share capital will be $50,000,000 divided into 5,000,000,000 Shares, all fully paid or credited as fully paid and 5,000,000,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-Allotment Option, there is no present intention to issue any of the authorised but unissued share capital of our Company and no issue of Shares which would effectively alter the control of our Company will be made without the prior approval of members in a general meeting.

4. Corporate reorganisation

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" of this prospectus. Apart from that, the Company had in January 2010 transferred the entire 100% equity interest in Sun Moral to China Pharma (the "**January Transaction**") and, subsequently, by a deed dated 6 July 2010, the January Transaction was terminated. As a result of these steps, the original corporate structure prior to the January Transaction was restored on 6 July 2010.

5. Changes in share capital of subsidiaries

Our Company's subsidiaries are referred to in the accountant's report, the text of which is set out in Appendix I to this prospectus.

The changes in the issued and paid-up share capital of our subsidiaries within the last two years preceding the Latest Practicable Date were as follows:

Gao Duan Wei Ye

On 6 November 2009, the registered capital of Gao Duan Wei Ye was increased from RMB500,000 to RMB1,000,000, of which RMB700,000 was paid up and the remaining RMB300,000 will be paid by its shareholders Mr. Li Wei and Mr. Ma Hong Chi by 30 September 2011.

6. Repurchases of our own securities

This section includes information relating to the repurchase of our Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Relevant legal and regulatory requirements

The Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase our Shares that are listed on the Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by our Shareholders in a general meeting.

(b) Shareholder approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

On 8 October 2010, our Directors were granted a general unconditional mandate to repurchase up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the Global Offering (excluding shares which may be allotted and issued under the Over-Allotment Option) on the Stock Exchange or on any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. This mandate will expire at the earliest of (i) the conclusion of our next annual shareholders' general meeting, (ii) the date by which our next shareholders' general meeting is required by applicable laws and our Bye-Laws to be held, or (iii) such mandate being revoked or varied by ordinary resolutions of our Shareholders in a general meeting (the "**Relevant Period**").

(c) Source of funds

Our repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with our Memorandum of Association and Bye-Laws and the applicable laws of Bermuda. We may not repurchase our Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under Bermuda law, any repurchases by us may be made out of capital paid up on the repurchased shares or out of funds of the Company which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase. Any premium payable on a repurchase over the par value of the Shares to be repurchased must be provided for out of funds of the Company which would otherwise be available for dividend or distribution or the Company's share premium account before the Shares are repurchased.

(d) Reasons for repurchases

Our directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority to execute repurchases of our shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

(e) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Memorandum of Association and Bye-Laws, the Bermuda Companies Act and the Listing Rules.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(f) Share capital

The exercise in full of the current repurchase mandate, on the basis of 5,000,000,000 Shares in issue immediately after the Global Offering (without taking into account the exercise of the Over-Allotment Option), could accordingly result in up to 500,000,000 Shares being repurchased by us during the Relevant Period.

(g) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any of our Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, our Memorandum of Association and Bye-Laws, the Bermuda Companies Act and any other applicable laws of Bermuda.

If, as a result of any repurchase of our Shares, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Our Directors are not aware of any consequences of repurchases which would arise under the Takeover Code.

No connected person as defined by the Listing Rules has notified us that he has a present intention to sell his Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

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 our Group within the two years preceding the date of this prospectus and are or may be material:

(a) the bought and sold notes dated 4 January 2010 and the instrument of transfer dated 4 January 2010 in respect of 10,000 shares in Sun Moral with our Company as transferor and China Pharma as transferee;

(b) the equity transfer agreement dated 30 March 2009 between Hainan Sihuan and 北京雙鷺葯業股份有限公司(Beijing SL Pharmaceutical Co Ltd.), pursuant to which Hainan Sihuan agreed to dispose 17.2% equity interest in Beijing Purenhong to 北京雙鷺葯業股份有限公司(Beijing SL Pharmaceutical Co Ltd.) for a consideration of RMB 38,872,000;

(c) the equity transfer agreement dated 10 April 2009 between Hainan Sihuan and 北京京石立邁生物技術有限公司(Beijing Jing Shi Li Mai Biotechnology Co., Ltd.), pursuant to which Hainan Sihuan agreed to dispose 27.8% equity interest in Beijing Purenhong to 北京京石立邁生物技術有限公司(Beijing Jing Shi Li Mai Biotechnology Co., Ltd.) for a consideration of RMB62,828,000;

(d) a cooperation framework agreement dated 30 April 2010 among Shenzhen Sihuan, Zhu Xiaowu (朱小伍) and Li Gang (李剛), pursuant to which the parties agreed to, among other things, the future transfer (exact date not specified) from Shenzhen Sihuan, 41% and 20% interest in Hainan Ao He to Zhu Xiaowu and Li Gang respectively at considerations of RMB1.148 million and RMB560,000 respectively, and the cooperation of the parties in the operation of Hainan Ao He;

(e) the First Patent Licensing Agreement dated 24 June 2010 entered into between Dr. Guo and Shenzhen Sihuan, pursuant to which Dr. Guo has granted Shenzhen Sihuan a license, free of royalty with the right to use the First PRC Patent until the expiry date of the registration of the First PRC Patent on 12 October 2026;

(f) a termination deed dated 6 July 2010 entered into between our Company and China Pharma, pursuant to which amongst other things, the agreement to transfer 10,000 shares in Sun Moral by our Company as transferor to China Pharma as transferee entered into in January 2010 was terminated effective from 4 January 2010;

(g) an omnibus deed dated 23 July 2010 entered into among the Controlling Shareholders, MSPEA Pharma BV, China Pharma and our Company, which provides for certain matters relating to the conversion of the convertible bonds and certain other issues;

(h) the Second Patent Licensing Agreement dated 28 July 2010 entered into between Dr. Che and Beijing Sihuan, pursuant to which Dr. Che has granted Beijing Sihuan a license, free of royalty with the right to use the Second PRC Patent until expiry date of the registration of the Second PRC Patent on 7 August 2026;

(i) a deed of share charge dated 5 August 2010 by the Controlling Shareholders and our Company in favour of MSPEA Pharma BV to secure certain obligations of our Company, China Pharma and/or the Controlling Shareholders;

(j) the shareholders agreement dated 6 August 2010 entered into among MSPEA Pharma BV, Top Matrix, the Controlling Shareholders and our Company providing for certain matters relating to the transfer of shares in our Company and the management and operation of our Company;

(k) a patent transfer agreement dated 20 August 2010 entered into between Dr. Guo and Shenzhen Sihuan, pursuant to which amongst other things, Dr. Guo transfers the First PRC Patent to Shenzhen Sihuan at nil consideration;

(l) a patent transfer agreement dated 20 August 2010 entered into between Dr. Che and Beijing Sihuan, pursuant to which amongst other things, Dr. Che transfers the Second PRC Patent to Beijing Sihuan at nil consideration;

(m) the Non-competition Deed dated 9 October 2010 entered into among Plenty Gold, Dr. Che, Dr. Guo, Mr. Meng, Dr. Zhang, Mr. Huang (the "**Covenantors**") and our Company regarding the non-competition undertaking given by the Covenantors in favour of our Company as referred to in the section headed "Relationship with Controlling Shareholders" in this prospectus;

(n) a deed of indemnity dated 9 October 2010 entered into among Plenty Gold, Dr. Che, Dr. Guo, Mr. Meng, Dr. Zhang, Mr. Huang (the "**Indemnifiers**") and our Company, pursuant to which each of the Indemnifiers agreed to give certain indemnities in respect of tax, properties and other matters in favour of our Group;

(o) a placing agreement dated 11 October 2010 entered into between China Life Insurance (Group) Company, Morgan Stanley Asia Limited and UBS AG, Hong Kong Branch as Joint Global Coordinators and our Company, pursuant to which China Life Group has agreed to subscribe at the Offer Price for such number of Offer Shares that may be purchased with HK$232,719,000, rounded down to the nearest board lot;

(p) a placing agreement dated 11 October 2010 entered into between China Life Insurance (Overseas) Company Limited, Morgan Stanley Asia Limited and UBS AG, Hong Kong Branch as Joint Global Coordinators and our Company, pursuant to which China Life Overseas has agreed to subscribe at the Offer Price for such number of Offer Shares that may be purchased with HK$155,146,000, rounded down to the nearest board lot;

(q) a placing agreement dated 11 October 2010 entered into between Gaoling Fund, L.P., Morgan Stanley Asia Limited and UBS AG, Hong Kong Branch as Joint Global Coordinators and our Company, pursuant to which Hillhouse has agreed to subscribe at the Offer Price for such number of Offer Shares that may be purchased with US$45 million, rounded down to the nearest board lot;

(r) a placing agreement dated 11 October 2010 entered into between Quantum Partners L.P., Morgan Stanley Asia Limited and UBS AG, Hong Kong Branch as Joint Global Coordinators and our Company, pursuant to which Quantum has agreed to subscribe at the Offer Price for such number of Offer Shares that may be purchased with HK$310,292,000, rounded down to the nearest board lot;

(s) a placing agreement dated 11 October 2010 entered into between Value Partners Limited, Morgan Stanley Asia Limited and UBS AG, Hong Kong Branch as Joint Global Coordinators and our Company, pursuant to which Value Partners Limited has agreed to procure investment or collective investment fund(s) and/or managed accounts which Value Partners Limited or its fellow subsidiary is acting as investment manager or investment advisor for, to subscribe at the Offer Price for such number of Offer Shares that may be purchased with HK$155,146,000, rounded down to the nearest board lot;

(t) a placing agreement dated 11 October 2010 entered into between Yunfeng Fund, Morgan Stanley Asia Limited and UBS AG, Hong Kong Branch as Joint Global Coordinators and our Company, pursuant to which Yunfeng Fund has agreed to subscribe at the Offer Price for such number of Offer Shares that may be purchased with HK$155,146,000, rounded down to the nearest board lot;

(u) a placing agreement dated 11 October 2010 entered into between CCB International Asset Management Limited, Morgan Stanley Asia Limited and UBS AG, Hong Kong Branch as Joint Global Coordinators and our Company, pursuant to which CCBIAM has agreed to subscribe at the Offer Price for such number of Offer Shares that may be purchased with HK$116,359,500, rounded down to the nearest board lot; and

(v) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

(a) Patents

As at the Latest Practicable Date, our Group was the registered proprietor and beneficial owner of the following patents:

Patent	Registered Owner	Place of Registration	Date of Application (Note 1)	Patent Number	Patent Certificate Number
Composition of notoginsen triterpenes and tanshinone IIA sodium sulfonate (三七總皂苷、丹參酮ⅡA磺酸鈉的組合物)	KBP BioSciences	PRC	2006-8-22	ZL 2006 1 0125935.8	594531
Lunar caustic composition and preparing method and use thereof (銀丹組合物及其製備方法和應用)	KBP BioSciences	PRC	2006-8-22	ZL 2006 1 0125936.2	559377
Medical composition of ligustrazine and rhodiola root (川芎嗪和紅景天的藥用組合物)	KBP BioSciences	PRC	2006-9-13	ZL 2006 1 0153342.2	608371
Medical composition of red sage and rhodiola root (一種由丹參和紅景天製成的藥物組合物)	KBP BioSciences	PRC	2006-9-13	ZL 2006 1 0153341.8	606712
Medical composition of milkvetch root, rhodiola root and chinaroot greenbrier and preparation method thereof (由黃芪、紅景天和菝葜製成的藥物組合物及其製備方法)	KBP BioSciences	PRC	2006-12-4	ZL 2006 1 0163472.4	536548
Medical composition of haw leaf and rhodiola root, and preparation method thereof (一種由山楂葉與紅景天製成的藥物組合物及其製備方法)	KBP BioSciences	PRC	2006-3-24	ZL 2006 1 0043263.6	574341
Medical composition of erigeron breviscapus and tanshinone IIA sodium sulfonate (燈盞花和丹參酮ⅡA磺酸鈉的藥用組合物)	KBP BioSciences	PRC	2006-3-24	ZL 2006 1 0043264.0	574342

Patent	Registered Owner	Place of Registration	Date of Application (Note 1)	Patent Number	Patent Certificate Number
Medicine for treating cardio-cerebral vascular diseases (一種用於心腦血管疾病的藥物)	KBP BioSciences	PRC	2006-7-7	ZL 2006 1 0045298.3	544411
Composite medicine for pulse generating and treating coronary heart disease (生脈冠心複方藥物)	KBP BioSciences	PRC	2006-7-14	ZL 2006 1 0045491.7	619597
Medical composition, preparation method and use thereof (一種藥物組合物及其製備方法和用途)	KBP BioSciences	PRC	2006-8-17	ZL 2006 1 0108878.2	609369
Medical composition of isatis root and scutellariae glucoside (板藍根和黃芩苷的藥物組合物)	KBP BioSciences	PRC	2006-10-9	ZL 2006 1 0135841.9	492324
Medical composition prepared by sarcandra and oldenlandia (一種由腫節風和白花蛇舌草製成的藥物組合物)	KBP BioSciences	PRC	2006-10-25	ZL 2006 1 0142637.X	492335
Chinese traditional and western composite medicine, and preparation method thereof (一種中西複方藥物及其製備方法)	KBP BioSciences	PRC	2006-10-25	ZL 2006 1 0142636.5	594570
Medical composition prepared by gynostemma pentaphylla, American ginseng and milkvetch root (一種由絞股藍、西洋參和黃芪製成的藥物組合物)	KBP BioSciences	PRC	2006-10-25	ZL 2006 1 0142635.0	559450
Novel cephalosporin derivatives (新的頭孢菌素衍生物)	KBP BioSciences	PRC	2007-2-1	200710006870.X	673395
Penem derivatives containing sulfhydryl pyrrolidine vinyl heterocycle (含有巰基吡咯烷乙烯基雜環的培南衍生物)	KBP BioSciences	PRC	2008-8-6	200810145497.0	673522

Patent	Registered Owner	Place of Registration	Date of Application (Note 1)	Patent Number	Patent Certificate Number
Medical composition of oxymatrine, magnolia vine fruit and milkvetch root (一種由苦參素、五味子和黃芪製成的藥物組合物)	KBP BioSciences	PRC	2006-11-22	200610149186.0	673337
Novel anticancer medical composition and preparation method thereof (一種新的抗癌藥物組合物及其製備方法)	KBP BioSciences	PRC	2005-11-10	ZL 2005 1 0045068.2	620465
Novel antineoplastic medical composition (一種新的抗腫瘤藥物組合物)	KBP BioSciences	PRC	2006-12-29	ZL 2006 1 0172624.7	620590
Anticancer medical composition, preparing method and use thereof (一種抗癌藥物組合物及其製備方法和用途)	KBP BioSciences	PRC	2006-1-24	ZL 2006 1 0042221.0	584983
Novel antineoplastic composite medicine (一種新的抗腫瘤複方藥物)	KBP BioSciences	PRC	2006-3-24	ZL 2006 1 0043265.5	544401
Antineoplastic medical composition (一種抗腫瘤的藥物組合物)	KBP BioSciences	PRC	2005-10-26	ZL 2005 1 0104354.1	620366
Medical composition of oxymatrine and polysaccharide (一種苦參素和多糖的藥物組合物)	KBP BioSciences	PRC	2006-5-30	ZL 2006 1 0082107.0	504176
Anti-hepatitis medical composition and preparation method thereof (一種抗肝炎藥物組合物及其製備方法) 備方法)	KBP BioSciences	PRC	2006-11-21	ZL 2006 1 0149188.1	585293
Anti-hepatitis medical composition (一種抗肝炎藥物組合物)	KBP BioSciences	PRC	2006-12-4	ZL 2006 1 0163453.1	623970
Xanthosine composition and preparation method thereof (黃甘組合物及其製備方法)	KBP BioSciences	PRC	2006-12-4	ZL 2006 1 0163475.8	621131
Medical composition of oxymatrine, ganoderma lucidum and milkvetch root (一種由苦參素、靈芝和黃芪製成的藥物組合物)	KBP BioSciences	PRC	2006-12-6	ZL 2006 1 0163454.6	620588

Patent	Registered Owner	Place of Registration	Date of Application (Note 1)	Patent Number	Patent Certificate Number
Medical composition of glycyrrhizic acid or its salt, ginseng and ganoderma lucidum (一種主要由甘草酸或其鹽、人參和靈芝製成的藥物組合物)	KBP BioSciences	PRC	2005-12-19	ZL 2005 1 0045376.5	620236
Medical composition of glycyrrhizic acid or its salt and reduced glutathione (甘草酸或其鹽和還原型谷胱甘肽的藥物組合物)	KBP BioSciences	PRC	2005-12-19	ZL 2005 1 0045378.4	620355
Medical composition for treating hepatic disease (一種用於治療肝病的藥物組合物)	KBP BioSciences	PRC	2006-4-7	ZL 2006 1 0043505.1	594347
Anti-hepatitis medical composition (一種抗肝炎的藥物組合物)	KBP BioSciences	PRC	2006-4-29	ZL 2006 1 0043897.1	594349
Liver cancer treating medicine (一種治療肝癌的藥物)	KBP BioSciences	PRC	2005-9-13	ZL 2005 1 0044573.5	349435
Composition of ambroxol, salt thereof and anti-infective drug (氨溴索或其鹽和抗感染藥物的組合物)	KBP BioSciences	PRC	2005-12-26	ZL 2005 1 0131121.0	573849
Medical composition of corydalis and lamioplomis rotata, and preparation method and use thereof (由延胡索和獨一味製成的藥物組合物及其製備方法和用途)	KBP BioSciences	PRC	2006-2-27	ZL 2006 1 0042439.6	559029
Medical composition of ophiopogon root and asarone (麥冬和細辛腦的藥物組合物)	KBP BioSciences	PRC	2006-4-24	ZL 2006 1 0043851.X	559034
Antitussive agent (一種鎮咳藥)	KBP BioSciences	PRC	2006-8-4	ZL 2006 1 0069657.9	559130
Medical composition for infantile diarrhea (一種用於小兒腹瀉的藥物組合物)	KBP BioSciences	PRC	2006-8-18	ZL 2006 1 0068402.0	574414

Patent	Registered Owner	Place of Registration	Date of Application (Note 1)	Patent Number	Patent Certificate Number
Chinese medical composition for treating headache, and preparation method thereof (一種治療頭痛的中藥組合物及其製備方法)	KBP BioSciences, Hainan Sihuan	PRC	2005-12-23	ZL 2005 1 0131154.5	350428
3-halogen substituted cephalosporin derivatives (3-鹵素取代頭孢菌素衍生物)	KBP BioSciences	PRC	2006-11-8	ZL 2006 1 0147177.X	622192
Cephalosporin derivatives (頭孢菌素衍生物)	KBP BioSciences	PRC	2008-02-3	ZL 2008 1 0074350.7	631135
Cephalosporin derivatives (頭孢菌素衍生物)	KBP BioSciences	PRC	2007-12-1	ZL 2007 1 0197037.8	629202
Medical compound salt of 2,5-dihydroxy benzenes sulfonic acid and hydrate thereof (2,5-二羥基苯磺酸的藥用複合鹽及其水合物)	KBP BioSciences	PRC	2006-10-12	ZL 2006 1 0131958.X	544766
Medical composition of ligustrazine and carthamin yellow (川芎嗪與紅花黃色素的藥物組合物)	Hainan Sihuan, Beijing Sihuan, Hainan Sihuan CVD Research, Shenzhen Sihuan	PRC	2005-9-6	ZL 2005 1 0044552.3	481261
Bilobalide B powder for injection and preparation method thereof (一種銀杏內酯B粉針劑及其製備方法)	Hainan Sihuan, Beijing Sihuan, Hainan Sihuan CVD Research	PRC	2006-2-17	ZL 2006 1 0007834.0	403466
Synthesis method of cinepazide maleate (馬來酸桂哌齊特合成方法)	Beijing Sihuan	PRC	2004-11-22	ZL 2004 1 0009826.0	254702
Improved cinepazide maleate preparation method (馬來酸桂哌齊特改進的製備方法)	Beijing Sihuan	PRC	2006-7-21	ZL 2006 1 0103455.1	582459
Cinepazide maleate crystal form and preparation method thereof (馬來酸桂哌齊特晶型及其製備方法)	Beijing Sihuan	PRC	2008-4-24	ZL 2008 1 0093966.9	560419

Patent	Registered Owner	Place of Registration	Date of Application (Note 1)	Patent Number	Patent Certificate Number
Ligustrazine hydrochloride lyophilised powder for injection, and preparation process thereof (注射用鹽酸川芎嗪凍幹劑及其製備方法)	Hainan Sihuan, Shenzhen Sihuan	PRC	2006-10-13	ZL 2006 1 0150893.3	539794
Medical composition for treating cardio-cerebral vascular diseases, preparation method and applications thereof (一種治療心腦血管疾病的藥物組合物及其製備方法和應用)	Hainan Sihuan, Beijing Sihuan, Hainan Sihuan CVD Research, Shenzhen Sihuan	PRC	2005-8-23	ZL 2005 1 0044418.3	532413
Cephalosporin antibiotics (頭孢類抗生素)	KBP BioSciences	PRC	2007-12-7	ZL 2007 1 0300907.X	628950
Mercaptopyrrolidone carbapenems derivatives (巰基吡咯烷酮碳青霉烯類衍生物)	KBP BioSciences	PRC	2008-3-10	ZL 2008 1 0086734.0	629974
Novel cephalosporin compounds (新型頭孢菌素化合物)	KBP BioSciences	PRC	2007-9-19	ZL 2007 1 0161403.4	629823
Medical composition (一種藥用組合物)	KBP BioSciences	PRC	2006-8-17	ZL 2006 1 0108877.8	457079
Medical composition of ginseng or red ginseng, ophiopogon root and breviscapine (人參或紅參、麥冬和燈盞花素的藥物組合物)	KBP BioSciences	PRC	2006-8-30	ZL 2006 1 0125858.6	566626
Medical composition containing puerarin and haw leaf flavonid (包括葛根素和山楂葉總黃酮的藥用組合物)	KBP BioSciences	PRC	2006-4-7	ZL 2006 1 0043504.7	615037
Medicine for treating cardiac disease and preparation method thereof (治療心臟病的藥物及其製備方法)	KBP BioSciences	PRC	2006-7-14	ZL 2006 1 0045492.1	584994
Medicine for treating cardiovascular disease (治療心血管疾病的藥物)	KBP BioSciences	PRC	2006-7-14	ZL 2006 1 0045493.6	615022
Epimedium erigeron medical composition (淫羊藿燈盞藥物組合物)	KBP BioSciences	PRC	2006-7-21	ZL 2006 1 0045543.0	614990

Patent	Registered Owner	Place of Registration	Date of Application (Note 1)	Patent Number	Patent Certificate Number
Medicine for treating angina pectoris of coronary heart disease (用於冠心病心絞痛的藥物)	KBP BioSciences	PRC	2006-8-11	ZL 2006 1 0069693.5	566452
Medical composition of houttuynin sodium and astragalin, preparation method and usage thereof (新魚腥草素鈉和黃芩苷的藥物組合物及其製備方法和用途)	KBP BioSciences	PRC	2005-9-26	ZL 2005 1 0044817.X	606794
Herb medical composition containing Touhualiao, preparation method and use thereof (一種頭花蓼複方藥物組合物及其製備方法和用途)	KBP BioSciences	PRC	2006-10-9	ZL 2006 1 0135842.3	536396
Medicine composition containing isatis root and rhizoma belamcandae, and preparation method and use thereof (由板藍根和射幹製成的藥物組合物及其製備方法和用途)	KBP BioSciences	PRC	2006-10-9	ZL 2006 1 0135840.4	544775
Medical composition of touhualiao and lamioplomis rotata (一種頭花蓼和獨一味的藥物組合物)	KBP BioSciences	PRC	2006-2-27	ZL 2006 1 0042438.1	618649
Medicine for treating hepatic disease (一種用於肝病的藥物)	KBP BioSciences	PRC	2006-8-11	ZL 2006 1 0069694.X	566453
Medical composition for liver cirrhosis and preparation method thereof (用於肝硬化的藥物組合物及其製備方法)	KBP BioSciences	PRC	2006-9-1	ZL 2006 1 0068726.4	574417
Medical composition of acetyl cysteine or its pharmaceutical salt and asarone (乙醯半胱氨酸或其藥用鹽和細辛腦的藥物組合物)	KBP BioSciences	PRC	2006-4-7	ZL 2006 1 0043503.2	475475
Composition of acetyl cysteine or its salt and anti-infective drug (乙醯半胱氨酸或其鹽和抗感染藥物的組合物)	KBP BioSciences	PRC	2006-4-14	ZL 2006 1 0043586.5	584988

Patent	Registered Owner	Place of Registration	Date of Application (Note 1)	Patent Number	Patent Certificate Number
Solution preparations for removing dandruff and preparation method thereof (一種去頭皮屑溶液劑及其製備方法)	KBP BioSciences	PRC	2006-6-30	ZL 2006 1 0045260.6	615208
Medical composition for viganitis (一種用於陰道炎的藥物組合物)	KBP BioSciences	PRC	2006-6-30	ZL 2006 1 0045262.5	535890
Medicine for women's climacteric syndrome (一種治療婦女更年期綜合徵的藥物)	KBP BioSciences	PRC	2006-7-7	ZL 2006 1 0045300.7	617178
Gastrosis treating medicine (一種用於胃病的藥物)	KBP BioSciences	PRC	2006-7-21	ZL 2006 1 0045541.1	618044
Medicine for prostate disease (一種用於前列腺疾病的藥物)	KBP BioSciences	PRC	2006-7-28	ZL 2006 1 0069613.6	536030
Medicine for treating atrophic gastritis (一種治療慢性萎縮性胃炎的藥物)	KBP BioSciences	PRC	2006-7-28	ZL 2006 1 0069614.0	520408
Medicine for treating senescent arthritis (一種治療老年性關節炎的藥物)	KBP BioSciences	PRC	2006-7-28	ZL 2006 1 0069616.X	520409
Medicine for treating fatness and its complication (用於肥胖及其併發症的藥物)	KBP BioSciences	PRC	2006-8-4	ZL 2006 1 0069655.X	594398
Medical composition for treating atrophic gastritis and preparation method thereof (用於慢性萎縮性胃炎的藥物組合物及其製備方法)	KBP BioSciences	PRC	2006-8-25	ZL 2006 1 0068437.4	544491
Medical composition for gestation reaction and preparation method thereof (用於妊娠反應的藥物組合物及其製備方法)	KBP BioSciences	PRC	2006-9-8	ZL 2006 1 0068856.8	559122
2,5-dihydroxy benzenes sulfonic acid magnesium and hydrate thereof (2,5-二羥基苯磺酸鎂及其水合物)	KBP BioSciences	PRC	2006-10-12	ZL 2006 1 0139131.3	536414
Medical composition for treating cardio-cerebral vascular diseases (一種用於治療心腦血管疾病的藥物組合物)	KBP BioSciences	PRC	2006-12-19	200610169172.7	671163

Patent	Registered Owner	Place of Registration	Date of Application (Note 1)	Patent Number	Patent Certificate Number
Medical composition containing aniracetam and brain protein hydrolyte (茴拉西坦和腦蛋白水解物的藥物組合物)	KBP BioSciences	PRC	2006-12-19	200610169173.1	647730
Taurine and anti-infectious medicine composition (牛磺酸和抗感染藥物的組合物)	KBP BioSciences	PRC	2006-4-14	200610043585.0	521734
Medical composition prepared by caulis marsdeniae tenacissimae, ginseng and milkvetch root (由通關藤、人參和黃芪製成的藥物組合物)	KBP BioSciences	PRC	2005-10-26	200510104356.0	671564
Medical composition used for gastroptosis and preparation method thereof (用於胃下垂的藥物組合物及其製備方法)	KBP BioSciences	PRC	2006-8-25	200610068438.9	647629
Medical composition used for ulcer of upper digestive tract (一種用於上消化道潰瘍的藥物組合物)	KBP BioSciences	PRC	2006-8-25	200610068439.3	647630
Medical composition for treating gland hyperplasia and preparation method thereof (用於乳腺增生的藥物組合物及其製備方法)	KBP BioSciences	PRC	2006-9-8	200610068857.2	671565
New pharmaceutically acceptable salt of pyritinol, and preparation method thereof (吡硫醇的新的藥學上可接受的鹽及其製備方法)	KBP BioSciences	PRC	2006-5-4	200610079577.1	520475
Cephalosporin antibiotic derivatives (頭孢抗生素衍生物)	KBP BioSciences	PRC	2008-02-03	200810005382.1	648101
Medical composition containing epimedium extract, uncaria extract, and gastrodine, and its preparation method and application (包括淫羊藿提取物，鈎藤提取物，天麻素的藥物組合物及其製備方法和應用)	Hainan Shuan CVD Research, Beijing Sihuan, Hainan Sihuan, Shenzhen Sihuan	PRC	2005-8-31	200510044530.7	611415

Patent	Registered Owner	Place of Registration	Date of Application (Note 1)	Patent Number	Patent Certificate Number
Sugar charcoal glycoside isoflavone compound containing alkane amine group and alkoxy substitution, preparation method and uses thereof (含烷胺基烷氧基取代的糖碳甙異黃酮化合物及其製法和用途)	Hainan Sihuan, Academy of Military Medical Sciences	PRC	2004-7-2	200480017384.2	489434
Application of xanthiphenyl ketamine or its salt in preparing medicines to treat cardiovascalar disease (椒苯酮胺或其鹽用作製備治療心血管疾病藥物的應用)	Zhongwei Biotechnology Co. Ltd, Guangzhou City, Beijing Sihuan, Hainan Sihuan, Hainan Sihuan CVD Research, Shenzhen Sihuan	PRC	2002-07-24	ZL 02 1 25316.1	213535
Xanthiphenyl ketamine or its salt and preparation method thereof (椒苯酮胺、椒苯酮胺鹽及其製備方法)	Zhongwei Biotechnology Co. Ltd, Guangzhou City, Beijing Sihuan, Hainan Sihuan, Hainan Sihuan CVD Research, Shenzhen Sihuan	PRC	2002-07-24	ZL 02 1 25318.8	169849
Method for preparing N-methyl piperethanamine salt (N-甲基胡椒乙胺鹽的製備方法)	Zhongwei Biotechnology Co. Ltd, Guangzhou City, Beijing Sihuan, Hainan Sihuan, Hainan Sihuan CVD Research, Shenzhen Sihuan	PRC	2002-07-24	ZL 02 1 25317.X	172125

Patent	Registered Owner	Place of Registration	Date of Application (Note 1)	Patent Number	Patent Certificate Number
An antineoplastic medical composition and preparation method thereof (一種抗腫瘤藥物組合物及其製備方法)	KBP BioSciences	PRC	2005-11-10	ZL 2005 1 0045069.7	658413
Medical composition of milkvetch root, hypericum japonicum thunb. and tiopronin, and preparation method thereof (一種由黃芪、田基黃和硫普羅寧製成的藥物組合物及其製備方法)	KBP BioSciences	PRC	2005-12-05	ZL 2005 1 0045414.7	655594
Compound recipe pharmaceutical composition of traditional Chinese medicine and Western medicine for treating liver diseases (一種用於治療肝臟疾病的中西藥複方藥物組合物)	KBP BioSciences	PRC	2005-12-26	ZL 2005 1 0131120.6	655618
Medicine for treating arthritis (一種用於關節炎的藥物)	KBP BioSciences	PRC	2006-08-04	ZL 2006 1 0069656.4	655821
Traditional Chinese medicine for treating angina pectoris (一種用於心絞痛的中藥)	KBP BioSciences	PRC	2006-08-11	ZL 2006 1 0069696.9	655822
Medical composition of red sage and cattail pollen (丹參和蒲黃的藥用組合物)	KBP BioSciences	PRC	2006-10-12	ZL 2006 1 0069277.5	655820
Cephalosporin derivatives containing pyrazolo triazinium (含有吡唑並三嗪金翁的頭孢類衍生物)	KBP BioSciences	PRC	2008-04-30	ZL 2008 1 0096629.5	648217

Note:

(1) All the patents listed in this table are valid for a period of 20 years from the date of application.

As at the Latest Practicable Date, our Group has applied for registration of the following patents in respect of which registration has yet to be duly effected:

Patent	Applicant(s)	Place of Registration	Application Date for Registration	Patent Number
Heterocyclic ring derivatives of benzenes (苯並環衍生物)	KBP BioSciences	PRC	2010-2-11	201010123774.5
Heterocyclic ring derivatives of pyrimidine (嘧啶並環衍生物)	KBP BioSciences	PRC	2010-4-29	201010158916.1
Heterocyclic ring derivatives of pyridine (吡啶並雜環衍生物)	KBP BioSciences	PRC	2010-4-29	201010158970.6
7-phenyl- quinolone compounds (7-苯基-喹諾酮類化合物)	KBP BioSciences	PRC	2009-10-15	200910019338.0
Novel dicyclo-quinolone compounds (新的雙環喹諾酮類化合物)	KBP BioSciences	PRC	2010-4-9	201010143510.6
Novel macrolide compounds (新的大環內酯類化合物)	KBP BioSciences	PRC	2009-10-14	200910019251.3
Cephalosporin antibiotics with heterocyclic ring derivatives of dihydropyrrole (含有二氫吡咯並雜環的頭孢抗生素)	KBP BioSciences	PRC	2009-9-30	200910019201.5
Cephalosporin antibiotics with heterocyclic ring alkyl of dihydropyrrole (含有二氫吡咯並環烷基的頭孢抗生素)	KBP BioSciences	PRC	2009-10-12	200910019550.7
Cephalosporin antibiotic derivatives (一種頭孢菌素衍生物)	KBP BioSciences	PRC	2009-10-30	200910229761.3
Cephalosporin antibiotic derivatives with nitrogen condensed ring (一種含有氮稠雜環的頭孢菌素衍生物)	KBP BioSciences	PRC	2009-10-30	200910229762.8
Cephalosporin antibiotic derivatives with imidazole ring (含有咪唑環的頭孢菌素衍生物)	KBP BioSciences	PRC	2009-11-23	200910230630.7
Oxazolidinone antibiotics with heterocyclic ring (含有並環的噁唑烷酮抗菌素)	KBP BioSciences	PRC	2010-2-11	2010101238521
Biphenyl oxazolidinone antibiotics (一種聯苯噁唑烷酮抗菌素)	KBP BioSciences	PRC	2010-3-16	2010101250542
Oxazolidinone antibiotics with guinary heterocyclic ring (含有五元雜環的噁唑烷酮抗菌素)	KBP BioSciences	PRC	2010-3-16	2010101250612
1β-Methyl carbapenem antibiotics, the pharmaceutical composition and use thereof (1β-甲基碳青霉烯抗生素及其葯物組合物和用途)	KBP Bio Sciences Huang Zhenhua	PCT受理，國際階段	2008-6-26	PCT/CN2008/001238
Novel carbapenem derivatives(新的碳青霉烯衍生物)	KBP Bio Sciences Huang Zhenhua Dong Yanyan	PCT受理，國際階段	2008-6-26	PCT/CN2008/071446
Oxazolidinone antibiotics with guinary heterocyclic ring (含有五元雜環的噁唑烷酮抗菌素)	KBP BioSciences	PRC	2010-4-16	2010101479509

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Xanthiphenyl ketamine derivatives (椒苯酮胺衍生物)	KBP BioSciences	PRC	2009-6-26	200910016450.9
Oral carbapenem compounds with nitrogen-sulfonyl nitrogen nucleus butane (含有氮基磺醯胺基氮雜環丁烷的口服碳青霉烯化合物)	KBP BioSciences	PRC	2010-2-11	2010101237181
Carbapenem compounds with amidogen-formyl nucleus (含有胺基甲醯基雜環的碳青霉烯化合物)	KBP BioSciences	PRC	2010-2-11	2010101236920
Nalmefene hydrochloride injection and its preparation method (一種鹽酸納美芬注射液及其製備方法)	Hainan Sihuan CVD Research, Hainan Sihuan, Beijing Sihuan	PRC	2008-8-27	200810146735.X
Preparation and use of human interferon alpha derivatives and polyethylene glycol modified substance thereof (人干擾素α衍生物及其聚乙二醇化修飾物的製備和用途)	Hainan Sihuan CVD Research, Hainan Sihuan, Beijing Sihuan	PRC	2008-9-10	200810149510.X

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Nalmefene hydrochloride injection and its preparation method (鹽酸納美芬注射液及其製備方法)	Hainan Sihuan, Beijing Sihuan, Hainan Sihuan CVD Research	PRC	2008-8-27	200810146734.5
Thymopentin derivatives, preparation method and application of derivates and compounds containing derivatives in preparing drugs (胸腺五肽衍生物及其製備方法以及該衍生物及含該衍生物的組合物在製備)藥物中的應用	Hainan Sihuan, Hainan Sihuan CVD Research	PRC	2009-3-11	200910118981.9
Composition of ambroxol hydrochloride and arginine and preparation method thereof (一種鹽酸氨溴索與精氨酸的組合物及其製備方法)	Hainan Sihuan, Hainan Sihuan CVD Research	PRC	2009-2-3	200910008473.5
Composition of ambroxol hydrochloride and cysteine and preparation method thereof (一種鹽酸氨溴索與半胱氨酸的組合物及其製備方法)	Hainan Sihuan, Hainan Sihuan CVD Research	PRC	2009-2-3	200910008474.X
Composition of cerebroprotein hydrolysate and maleic acid and preparation method thereof (一種腦蛋白水解物與馬來酸的組合物及其製備方法)	Shenzhen Sihuan, Hainan Sihuan CVD Research	PRC	2009-2-3	200910008475.4
Medical composition of ligustrazine hydrochloride and phenylcarbinol and preparation method thereof (一種鹽酸川芎嗪與苯甲醇的藥物組合物及其製備方法)	Hainan Sihuan, Hainan Sihuan CVD Research	PRC	2009-2-3	200910008477.3
Medical composition of edaravone and nicotinamide, and preparation method thereof (一種依達拉奉與煙醯胺的藥物組合物及製備方法)	Hainan Sihuan, Hainan Sihuan CVD Research	PRC	2009-2-3	200910008480.5
Composition of adenosine cyclophosphate and polyvinylpyrrolidone, and preparation method thereof (環磷腺苷與聚乙烯吡咯烷酮的組合物及其製備方法)	Beijing Sihuan, Hainan Sihuan	PRC	2009-2-17	200910009084.4
Medical composition of centrophenoxine,cph and polyethylene glycol, and preparation method (一種鹽酸甲氯酚酯與聚乙二醇的藥物組合物及其製備方法)	Hainan Sihuan, Hainan Sihuan CVD Research	PRC	2008-12-25	200810187546.7
Medical composition of nicergoline and nicotinamide, and preparation method thereof (一種尼麥角林與煙醯胺的藥物組合物及其製備方法)	Beijing Sihuan, Hainan Sihuan	PRC	2008-12-25	200810187547.1

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Composition of cefoperazone schubtanner and lysine (一種頭孢哌酮舒巴坦鈉與賴氨酸的組合物)	Hainan Sihuan, Hainan Sihuan CVD Research	PRC	2009-1-16	200910001259.7
Anti-infective medical composition with cefminox (一種含有頭孢米諾的抗感染藥物組合物)	Shenzhen Sihuan, Hainan Sihuan CVD Research	PRC	2009-1-16	200910001261.4
Composition of calcium folinate and phenylalanine, and preparation method thereof (一種亞葉酸鈣與苯丙氨酸的組合物及其製備方法)	Hainan Sihuan, Hainan Sihuan CVD Research	PRC	2009-1-16	200910001262.9
Anti-infective drug for injection and preparation method thereof (一種注射用抗感染藥物組合物及其製備方法)	Shenzhen Sihuan, Hainan Sihuan CVD Research	PRC	2009-2-27	200910009285.4
Composition of paclitaxel and phenylalanine, and preparation method thereof (一種紫杉醇與苯丙氨酸的組合物及其製備方法)	Hainan Sihuan, Hainan Sihuan CVD Research	PRC	2009-2-27	200910009286.9
Bilobalide B powder for injection and its preparation method (銀杏內酯B粉針劑及其製備方法)	Hainan Sihuan, Hainan Sihuan CVD Research, Beijing Sihuan	PRC	2007-5-29	200710103779.X
Composition of notoginsen triterpenes and notoginsenoside (三七總皂苷與七葉皂苷的藥物組合物)	KBP BioSciences	PRC	2005-8-23	200510044413.0
Novel medical composition containing American ginseng extract, hirudo extract and safflower yellow (一種含有西洋參提取物、水蛭提取物和紅花黃色素新的藥物組合物)	KBP BioSciences	PRC	2005-8-31	200510044533.0
Medical composition comprising notoginseng extract, red sage extract and puerarin (三七提取物、丹參提取物和葛根素的藥用組合物)	KBP BioSciences	PRC	2005-8-31	200510044534.5
Medical composition of red sage and epimedium for treating cardio-cerebral vascular diseases (一種用於治療心腦血管疾病的丹參和淫羊藿的藥用組合物)	KBP BioSciences	PRC	2005-9-14	200510044591.3
Medical composition of red sage and puerarin (丹參和葛根素的藥用組合物)	KBP BioSciences	PRC	2005-9-14	200510044592.8
Medical composition of rhodiola root and puerarin (由紅景天和葛根素製成的藥用組合物)	KBP BioSciences	PRC	2005-9-14	200510044593.2
Medical composition of ginkgo and rhodiola root (一種由銀杏葉與紅景天製成的藥物組合物)	KBP BioSciences	PRC	2006-9-13	200610153340.3

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Medical composition of safflower and rhodiola root (一種由紅花與紅景天製成的藥物組合物)	KBP BioSciences	PRC	2006-9-13	200610153337.1
Pharmaceutical composition of snakegourd fruit and haw leaf (瓜蔞和山楂葉的藥用組合物)	KBP BioSciences	PRC	2006-9-25	200610159482.0
Medical composition for treating cardio-cerebral vascular diseases, and preparation method thereof (一種用於心腦血管疾病的藥物組合物及其製備方法)	KBP BioSciences	PRC	2006-9-25	200610159483.5
Medical composition of snakegourd fruit or its extract and safflower or its extract (瓜蔞或其提取物與紅花或其提取物的藥物組合物)	KBP BioSciences	PRC	2006-10-12	200610069278.X
Medical composition of cattail pollen or its extract and haw leaf or its extract (蒲黃或其提取物和山楂葉或其提取物的藥物組合物)	KBP BioSciences	PRC	2006-10-12	200610069279.4
Medical composition of cattail pollen and kudzu root (蒲黃和葛根的藥物組合物)	KBP BioSciences	PRC	2006-10-13	200610069284.5
Medical composition for treating cardio-cerebral vascular diseases (一種用於心腦血管疾病的藥物組合物)	KBP BioSciences	PRC	2006-10-25	200610069393.7
Medical composition of red sage and cassia twig (丹參和桂枝的藥物組合物)	KBP BioSciences	PRC	2006-11-9	200610070052.1
Medical composition of cattail pollen and rhodiola root (蒲黃和紅景天的藥用組合物)	KBP BioSciences	PRC	2006-11-9	200610070053.6
Medical composition of ginkgo and cattail pollen (銀杏葉與蒲黃的藥用組合物)	KBP BioSciences	PRC	2006-11-9	200610070054.0
Medical composition of cattail pollen and safflower (一種由蒲黃與紅花製成的藥物組合物)	KBP BioSciences	PRC	2006-11-9	200610070056.X
Medical composition of kudzu root or its extract and snakegourd fruit or its extract (葛根或其提取物與瓜蔞或其提取物的藥物組合物)	KBP BioSciences	PRC	2006-11-24	200610070279.6
Medical composition of snakegourd fruit and notoginseng (瓜蔞和三七的藥用組合物)	KBP BioSciences	PRC	2006-11-27	200610070357.2
Compound douricien medical composition and preparation method thereof (一種複方北豆根藥物組合物及其製備方法)	KBP BioSciences	PRC	2005-9-26	200510044766.0

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Medical composition with antibacterial and anti-inflammation functions (一種具有抗菌消炎作用的藥物組合物)	KBP BioSciences	PRC	2005-9-26	200510044767.5
Novel antibacterial and antiviral medical composition, and preparation method thereof (一種新的抗菌抗病毒藥物組合物及其製備方法)	KBP BioSciences	PRC	2005-9-26	200510044769.4
Medical composition of douricine, tinosporae or its extract (北豆根與金果欖或其提取物的藥物組合物)	KBP BioSciences	PRC	2006-9-25	200610159485.4
Medical composition (一種藥物組合物)	KBP BioSciences	PRC	2005-9-26	200510044771.1
Heat-clearing analgesic medical composition with anti-infective and antiviral functions (一種抗感染、抗病毒以及解熱鎮痛的藥物組合物)	KBP BioSciences	PRC	2005-9-26	200510044816.5
Medical composition containing touhualiao and poria cocos (一種由頭花蓼和茯苓製成的藥物組合物)	KBP BioSciences	PRC	2005-10-10	200510104222.9
Medical composition of luteolin and sweeping forsythia and its preparation method and use (由木犀草素和連翹製成的藥物組合物及其製備方法和用途)	KBP BioSciences	PRC	2005-10-10	200510104223.3
Medical composition of glycyrrhizic acid or its salt, ginseng and milkvetch root (甘草酸或其鹽、人參和黃芪的藥物組合物)	KBP BioSciences	PRC	2005-12-19	200510045375.0
Antineoplastic medical composite compatibility with oldenlandia, ginseng and milkvetch root (一種白花蛇舌草、人參和黃芪配伍的抗腫瘤的藥物組合物)	KBP BioSciences	PRC	2005-10-26	200510104352.2
Sarcandra compound medical composition and its preparation method (一種腫節風複方藥物組合物及其製備方法)	KBP BioSciences	PRC	2005-10-27	200510104372.X
Novel composite medical composition, preparation method and use thereof (一種新的複方藥物組合物及其製備方法和用途)	KBP BioSciences	PRC	2005-11-10	200510045067.8

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Antineoplastic medical composition with barbed stullcap and preparation method thereof (一種複方半枝蓮抗腫瘤藥物組合物及其製備方法)	KBP BioSciences	PRC	2005-11-10	200510045070.X
Medical composition for treating hepatitis (一種治療肝炎的藥物組合物)	KBP BioSciences	PRC	2005-11-22	200510104552.8
Medical compositite compatibility with oxymatrine, magnolia vine fruit and ginseng for treating hepatitis (一種苦參素、五味子和人參配伍的治療肝炎的藥物組合物)	KBP BioSciences	PRC	2005-11-22	200510104553.2
Medical composition of silibinin and isatis root (水飛薊賓和板藍根的藥物組合物)	KBP BioSciences	PRC	2006-11-21	200610149189.6
Compound medical composition, and preparation method thereof (一種複方藥物組合物及其製備方法)	KBP BioSciences	PRC	2005-11-22	200510104555.1
Medical composition of silibinin, virgate wormwood herb and cape-jasmine (水飛薊賓、茵陳和梔子的藥物組合物)	KBP BioSciences	PRC	2006-12-4	200610163473.9
Medical composition for treating hepatitis (一種用於治療肝炎的藥物組合物)	KBP BioSciences	PRC	2005-12-5	200510045410.9
Medical composition of scutellariae glucoside, ganoderma lucidum and red sage (一種由黃芩苷、靈芝和丹參製成的藥物組合物)	KBP BioSciences	PRC	2005-12-5	200510045411.3
Medical composition of milkvetch root, red sage and oxymatrine, and its preparation method (一種由黃芪、丹參和苦參素製成的藥物組合物及其製備方法)	KBP BioSciences	PRC	2005-12-5	200510045413.2
Medical composition mainly for treating hepatic diseases (一種主要用於肝臟疾病的藥物組合物)	KBP BioSciences	PRC	2005-12-19	200510045377.X
Novel medical composition for treating hepatic diseases (一種用於治療肝臟疾病的新的藥物組合物)	KBP BioSciences	PRC	2005-12-19	200510045380.1
Medical composition for treating hepatic diseases (一種抗肝臟疾病的藥物組合物)	KBP BioSciences	PRC	2005-12-26	200510131122.5
Cephalosporin derivatives (頭孢菌素衍生物)	KBP BioSciences	PRC	2006-9-12	200610068796.X

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Novel cephalosporin compounds (新的頭孢菌素類化合物)	KBP BioSciences	PRC	2006-12-31	200610063872.8
Cephalosporin derivatives (頭孢衍生物)	KBP BioSciences	PRC	2008-1-11	200810002165.7
Cephalosporin derivatives containing mercaptothiazole (含有巯基噻唑的頭孢菌素衍生物)	KBP BioSciences	PRC	2008-6-20	200810128957.9
Cephalosporin derivatives containing sulfhydryl thiadiazole (含有巯基噻二唑的頭孢菌素衍生物)	KBP BioSciences	PRC	2008-6-20	200810128941.8
Cephalosporin derivatives (頭孢菌素衍生物)	KBP BioSciences	PRC	2008-9-25	200810168452.5
Phosphorylation cephalosporin derivatives (膦醯化頭孢衍生物)	KBP BioSciences	PRC	2008-10-11	200810171335.4
Ceftriaxone phosphorylation derivatives (頭孢曲松磷醯化衍生物)	KBP BioSciences	PRC	2008-10-15	200810170397.3
Cephalosporin derivatives containing nitrogen condensed ring substitution (氮雜稠環取代的頭孢菌素衍生物)	KBP BioSciences	PRC	2009-9-14	200910175969.1
Cephalosporin derivatives containing nitrogen ring substitution (含有取代的氮雜環的頭孢菌素衍生物)	KBP BioSciences	PRC	2009-1-21	200910002872.0
Cephalosporin derivatives containing pyridine ion (含有吡啶離子的頭孢菌素衍生物)	KBP BioSciences	PRC	2009-9-24	200910178080.9
Cephalosporin derivatives containing imidazole ring substitution (含有取代的咪唑環的頭孢菌素衍生物)	KBP BioSciences	PRC	2009-11-23	200910230631.1
Cephalosporin derivatives containing triazole substitution (含有取代的三氮唑的頭孢菌素衍生物)	KBP BioSciences	PRC	2009-5-1	200910140544.7

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Cephalosporin derivatives containing pyrrolidine heterocyclic ring (含有吡咯烷並環的頭孢菌素衍生物)	KBP BioSciences	PRC	2009-11-26	200910246572.7
Carbapenem derivatives containing mercaptothiazoline (含有巯基噻唑的碳青霉烯衍生物)	KBP BioSciences	PRC	2008-6-11	200810124907.3
Nitrogen heterocyclic ring vinyl substituted sulfhydryl heterocycle carbapenem compounds (氮雜環乙烯基取代的巯基雜環碳青霉烯化合物)	KBP BioSciences	PRC	2008-6-14	200810124830.X
Novel penem compounds (新的培南化合物)	KBP BioSciences	PRC	2008-6-14	200810124846.0
Sulfhydryl oxo heterocycle substituted penem derivatives (被巯基氧代雜環取代的培南衍生物)	KBP BioSciences	PRC	2008-6-14	200810124835.2
Tetrahydrochysene pyrimidine vinyl substituted sulfhydryl heterocycle carbapenem compounds (四氫嘧啶乙烯基取代的巯基雜環碳青霉烯化合物)	KBP BioSciences	PRC	2008-6-14	200810124829.7
Sulfhydryl pyrrolidine penem derivatives containing oxo aza ring (含有氧代氮雜環的巯基吡咯烷培南衍生物)	KBP BioSciences	PRC	2008-6-14	200810124833.3
Penem compounds with sulfhydryl pyrrolidine substituted by heterocycle formamido (雜環甲醯胺基取代巯基吡咯烷的培南化合物)	KBP BioSciences	PRC	2008-6-20	200810128956.4
Penem derivatives containing sulfhydryl pyrrolidine formamido triazine (含有巯基吡咯烷甲醯胺基三嗪的培南化合物)	KBP BioSciences	PRC	2008-6-20	200810128948.X
Penem derivatives containing sulfhydryl formamide benzenesulfonyl pyrrolidine (含有巯基吡咯烷甲醯胺苯磺醯基的培南衍生物)	KBP BioSciences	PRC	2008-6-20	200810128947.5
Carbapenem compounds containing formyl hydrazino (含有甲醯肼基的碳青霉烯化合物)	KBP BioSciences	PRC	2008-6-20	200810128940.3
Penem derivatives containing dihydroimidazole formyl (含有二氫咪唑甲醯胺基的培南化合物)	KBP BioSciences	PRC	2008-6-20	200810128939.0
Penem derivatives containing isothioureido sulfhydryl pyrrolidine (含有異硫脲基巯基吡咯烷的培南衍生物)	KBP BioSciences	PRC	2008-6-20	200810128943.7
Carbapenem compounds (碳青霉烯類化合物)	KBP BioSciences	PRC	2008-6-20	200810128958.3

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Penem derivatives containing adamantane (含有金剛烷的培南衍生物)	KBP BioSciences	PRC	2008-6-30	200810129338.1
Carbapenem compounds containing substituted formohydrazide group (含有取代的甲醯肼基的碳青霉烯化合物)	KBP BioSciences	PRC	2008-6-27	200810127466.2
Carbapenem derivatives (碳青霉烯類衍生物)	KBP BioSciences	PRC	2008-6-27	200810129350.2
Carbapenem compounds containing cyclohexenone formamido group (含有環己烯酮甲醯氨基的碳青霉烯化合物)	KBP BioSciences	PRC	2008-6-27	200810129351.7
Sulfhydryl pyrrolidine formyl arylamine heterocycle substituted penem derivatives (被巯基吡咯烷甲醯芳胺雜環取代的培南衍生物)	KBP BioSciences	PRC	2008-6-28	200810129347.0
Six-membered ring methanamide substituted sulfhydryl pyrrolidine carbapenem compounds (六元環甲醯胺取代的巯基吡咯烷碳青霉烯化合物)	KBP BioSciences	PRC	2008-6-28	200810129349.X
Formyl guanidino substituted sulfhydryl pyrrolidine carbapenem compounds (甲醯胍基取代的巯基吡咯烷碳青霉烯類化合物)	KBP BioSciences	PRC	2008-6-28	200810129339.6
Sulfhydryl pyrrolidine formamido cyclopentene acid substituted penem derivatives (被巯基吡咯烷甲醯胺基環戊烯酸取代的培南衍生物)	KBP BioSciences	PRC	2008-6-28	200810129346.6
Carbapenem compounds with heterocycle formyl substituted sulfhydryl pyrrolidine (雜環甲醯基取代巯基吡咯烷的碳青霉烯化合物)	KBP BioSciences	PRC	2008-6-28	200810129342.8
Formamide alkylbenzene substituted mercapto pyrrolidine carbapenem compounds (甲醯胺烷基苯取代的巯基吡咯烷碳青霉烯化合物)	KBP BioSciences	PRC	2008-6-28	200810127482.1
Sulfhydryl pyrrolidine formamido pyridine substituted penem derivatives (被巯基吡咯烷甲醯胺基吡啶取代的培南衍生物)	KBP BioSciences	PRC	2008-6-28	200810129341.3
Sulfhydryl pyrrolidine formamido pyridine substituted penem derivatives (被巯基吡咯烷甲醯哌啶取代的培南衍生物)	KBP BioSciences	PRC	2008-6-28	200810129348.5

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Penem derivatives containing sulfhydryl pyrrolidine formhydrazide (含有巯基吡咯烷甲醯肼的培南衍生物)	KBP BioSciences	PRC	2008-6-28	200810129343.2
Carbapenem derivatives containing sulfhydryl pyrrolidine formamide benzyl (含有巯基吡咯烷甲醯胺苄基的碳青霉烯衍生物)	KBP BioSciences	PRC	2008-6-28	200810127480.2
Carbapenem compounds containing cyclohexane (含有環己烷的碳青霉烯化合物)	KBP BioSciences	PRC	2008-7-12	200810130380.5
Penem derivatives containing soxazolidinone (含有異噁唑烷酮的培南衍生物)	KBP BioSciences	PRC	2008-7-12	200810130379.2
1beta-methyl carbapenem compounds (1β-甲基碳代青霉烯化合物)	KBP BioSciences	PRC	2008-8-6	200810145499.X
Sulfonyl substituted carbapenems compounds (磺醯基取代的碳青霉烯類化合物)	KBP BioSciences, etc	PCT受理，國際階段	2008-8-7	PCT/CN2008/001440
Penem compounds containing sulfhydryl piperidine (含有巯基哌啶的培南化合物)	KBP BioSciences	PRC	2008-8-9	200810210410.3
Carbapenem derivatives containing sulfhydryl pyrrolidine (含有巯基吡咯烷的碳青霉烯衍生物)	KBP BioSciences	PRC	2008-8-9	200810210411.8
Carbapenem antibiotics containing sulfhydryl piperidine (含有巯基哌啶的碳代青霉烯抗生素)	KBP BioSciences	PRC	2008-8-9	200810210409.0
Penem derivatives containing sulfhydryl nitrogen heterocyclic ring and vinyl nitrogen heterocyclic ring (含有巯基氮雜環乙烯基氮雜環的培南衍生物)	KBP BioSciences	PRC	2008-8-14	200810210465.4
Penem compounds containing amine vinyl substituted sulfhydryl aza ring (含有胺乙烯基取代巯基氮雜環的培南化合物)	KBP BioSciences	PRC	2008-8-14	200810131059.9
Carbapenem compounds containing mercapto nitrogen heterocyclic vinyl (含有巯基氮雜環乙烯基的碳青霉烯化合物)	KBP BioSciences	PRC	2008-8-26	200810215836.8

Patent	Applicant(s)	Place of Registration	Application Date for Registration	Patent Number
Penem derivatives containing sulfhydryl piperidine formyl nitrogen heterocyclic ring (含有巯基哌啶甲醯氮雜環的培南衍生物)	KBP BioSciences	PRC	2008-8-26	200810215837.2
Carbapenem derivatives containing sulfenyl heterocyclic amine formyl (含有硫基雜環胺甲醯基的碳青霉烯衍生物)	KBP BioSciences	PRC	2008-10-11	200810171336.9
Carbapenem derivatives containing guanidyl alkanoylamino heterocycle (含有胍基烷醯胺基雜環的碳青霉烯衍生物)	KBP BioSciences	PRC	2008-10-16	200810169740.2
Mercapto azacycloalkyl acidamide alcohol substituted penem derivatives (巯基氮雜環烷醯胺醇取代的培南衍生物)	KBP BioSciences	PRC	2009-4-2	200910134094.0
Penem derivatives containing formamide heterocycle sulfhydryl pyrrolidine (含有甲醯胺雜環基巯基吡咯烷的培南衍生物)	KBP BioSciences	PRC	2009-6-23	200910151841.1
Pennem derivatives containing sulfonyl nitrogen nucleus butane (含有磺醯基氮雜環丁烷的培南衍生物)	KBP BioSciences	PRC	2009-8-13	200910167316.9
Carbapenem derivatives containing azabicyclo (含有氮雜雙環的碳青霉烯衍生物)	KBP BioSciences	PRC	2010-2-11	201010123853.6
Dipeptidase-IV inhibitor compounds (二肽酶-IV抑制劑化合物)	KBP BioSciences	PRC	2008-7-31	200810145066.4
Novel dipeptidase-IV inhibitor compounds (新的二肽酶-IV抑制劑化合物)	KBP BioSciences	PRC	2008-7-31	200810145063.0
Dipeptidase inhibitor compounds (二肽酶抑制劑化合物)	KBP BioSciences	PRC	2008-7-31	200810145065.X
Novel DPP-IV inhibitor (新的DPP-IV抑制劑)	KBP BioSciences	PRC	2008-7-31	200810145064.5
Dipeptidase-IV inhibitor derivatives (二肽酶-IV抑制劑衍生物)	KBP BioSciences	PRC	2008-9-3	200810215028.1
Biguanide piperazines dipeptidyl peptidase IV inhibitor (雙胍哌嗪類二肽醯肽酶Ⅳ抑制劑)	KBP BioSciences	PRC	2008-10-18	200810166087.4
Dipeptidase-IV inhibitor sulfonyl urea derivatives (二肽酶-IV抑制劑磺醯脲衍生物)	KBP BioSciences	PRC	2008-10-18	200810166086.X
DPP-IV inhibitor with sulfonamide formyl piperazine structure (具有磺醯胺甲醯哌嗪結構的DPP-IV抑制)	KBP BioSciences	PRC	2008-10-18	200810166088.9
DPP-IV inhibitor derivatives containing benzofuran sulfonyl ureas (含有苯並呋喃磺醯脲的DPP-IV抑制衍生物)	KBP BioSciences	PRC	2008-10-18	200810166085.5

Patent	Applicant(s)	Place of Registration	Application Date for Registration	Patent Number
DPP-IV inhibitor with sulfonyl amine acyl alkyl piperazine structure (具有磺醯基胺醯烷基哌嗪結構的DPP-IV抑製劑)	KBP BioSciences	PRC	2009-1-14	200910002719.8
DPP-IV inhibitor with sulfonamide formamide piperazine structure (具有磺醯胺基甲醯胺哌嗪結構的DPP-IV抑制劑)	KBP BioSciences	PRC	2009-1-14	200910002720.0
Dipeptidase-IV inhibitor containing v-triazolo [b] pyrazine (含有三唑並吡嗪的二肽酶 — IV抑製劑)	KBP BioSciences	PRC	2008-4-3	200810015664.X
Dipeptidase-IV inhibitor compounds (二肽酶-IV抑制劑化合物)	KBP BioSciences	PRC	2009-9-14	200910175959.8
Acylation piperazine dipeptidyl peptidase IV inhibitor (醯化哌嗪類二肽醯肽酶IV抑制劑)	KBP BioSciences	PRC	2009-2-19	200910117920.0
Dipeptidyl peptidase IV inhibitor containing guanidyl (含有胍基的二肽醯肽酶Ⅳ抑制劑)	KBP BioSciences	PRC	2009-1-21	200910014102.8
Tetracycline compounds with amino-alkyl amidine (具有氨基烷基脒的四環素化合物)	KBP BioSciences	PRC	2009-9-12	200910173213.3
Guanidyl substituted tetracycline derivatives (胍基取代的四環素衍生物)	KBP BioSciences	PRC	2009-9-12	200910173214.8
Piperazinones substituted tetracycline derivatives (哌嗪酮取代的四環素衍生物)	KBP BioSciences	PRC	2009-9-16	200910174290.0
Guanidyl alkanoylamino substituted tetracycline derivatives (胍基烷醯胺基取代的四環素衍生物)	KBP BioSciences	PRC	2009-9-16	200910174291.5
Tetracycline compounds containing formyl hydrazino (含有甲醯肼基的四環素化合物)	KBP BioSciences	PRC	2009-9-16	200910174296.8
Tetracycline derivatives containing unsaturated heterocyclic amine (含有不飽和雜環胺的四環素衍生物)	KBP BioSciences	PRC	2009-9-17	200910174299.1
Tetracycline compounds containing amino-oximido (具有氨基肟基的四環素類化合物)	KBP BioSciences	PRC	2009-9-17	200810140232.1
Tetracycline compounds containing carbamido (具有脲基的四環素類化合物)	KBP BioSciences	PRC	2009-9-17	200910174297.2
Tetrahydronaphthalene substituted benzoic acid derivatives (四氫化萘取代的苯甲酸衍生物)	KBP BioSciences	PRC	2008-11-21	200810176881.7
Novel benzoic acid derivatives (新的苯甲酸衍生物)	KBP BioSciences	PRC	2008-11-21	200810176882.1
Benzoic acid derivatives containing oxo pyridine substituted propionamido (含有氧代吡啶取代丙醯胺基的苯甲酸衍生物)	KBP BioSciences	PRC	2008-11-21	200810176883.6

Patent	Applicant(s)	Place of Registration	Application Date for Registration	Patent Number
Adamantane substituted benzoic acid derivatives (被金剛烷取代的苯甲酸衍生物)	KBP BioSciences	PRC	2008-11-21	200810176880.2
Cyclohexene substituted benzoic acid derivatives (環己烯酮取代的苯甲酸衍生物)	KBP BioSciences	PRC	2008-11-21	200810176884.0
Imidazopyridine derivatives containing dioxane-pyridine (含有二氧雜環並吡啶的咪唑並吡啶衍生物)	KBP BioSciences	PRC	2008-1-25	200810013884.9
Compounds containing alcoxyl acetyl dihydrogen isoxazole-pyridine (含烷氧乙醯基二氫異噁唑並吡啶化合物)	KBP BioSciences	PRC	2008-1-25	200810013885.3
Sulfhydryl imidazopyridine derivatives containing dioxepane-pyridine (含有二氧雜環庚烷並吡啶的巰基咪唑並吡啶衍生物)	KBP BioSciences	PRC	2008-1-25	200810013886.8
Sulfhydryl benzimidazole derivatives containing dihydrofuran-pyridine (含有二氫呋喃並吡啶的巰基苯並咪唑衍生物)	KBP BioSciences	PRC	2008-1-25	200810013888.7
Benzimidazole derivatives containing alkoxyl oxygen alkyl substituted pyridine-tetrahydrochysene isoxazole (含烷氧烷基取代的吡啶並四氫異噁唑的苯並咪唑衍生物)	KBP BioSciences	PRC	2008-1-25	200810013890.4
Benzimidazole derivatives containing alkoxyl oxygen alkyl ethyl substituted pyridine-tetrahydrochysene isoxazole (含烷氧乙基取代的吡啶並四氫異噁唑的苯並咪唑衍生物)	KBP BioSciences	PRC	2008-1-25	200810013891.9
Benzimidazole derivatives containing alkoxyl oxygen ethyl substituted pyridine-tetrahydrofuran (含烷氧乙基取代的吡啶並四氫呋喃的苯並咪唑衍生物)	KBP BioSciences	PRC	2008-1-25	200810013892.3
Novel pyridine-imidazole derivatives (新的吡啶並咪唑衍生物)	KBP BioSciences	PRC	2008-1-25	200810013893.8
Benzimidazole derivatives containing isoxazole-pyridine (含有異噁唑並吡啶的苯並咪唑衍生物)	KBP BioSciences	PRC	2008-1-25	200810013894.2
Pyridine methyl sulfinyl imidazopyridine derivatives (吡啶甲基亞磺醯基咪唑並吡啶衍生物)	KBP BioSciences	PRC	2008-1-30	200810014115.0
Benzimidazole derivatives containing alkoxy alkanamine oxyl substituted pyridine (含有被烷氧烷胺氧基取代的吡啶的苯並咪唑衍生物)	KBP BioSciences	PRC	2008-1-30	200810014117.X

Patent	Applicant(s)	Place of Registration	Application Date for Registration	Patent Number
Benzimidazole derivatives containing alkoxy acetamide substituted pyridine (含有被烷氧乙醯胺基氧基取代的吡啶的苯並咪唑衍生物)	KBP BioSciences	PRC	2008-1-30	200810014118.4
Benzimidazole derivatives containing alkoxy substituted pyridine (含有被烷氧基取代的吡啶的苯並咪唑衍生物)	KBP BioSciences	PRC	2008-1-30	200810014119.9
Imidazopyridine compounds containing aminoxy substituted pyridine (含有氨基氧基取代的吡啶的咪唑並吡啶的化合物)	KBP BioSciences	PRC	2008-1-30	200810014120.1
Compounds containing imidazopyridine (含有咪唑並吡啶的化合物)	KBP BioSciences	PRC	2008-1-30	200810014121.6
Novel pyridine derivatives (新的吡啶衍生物)	KBP BioSciences	PRC	2010-2-2	201010104455.X
Aminoglycoside derivatives (氨基糖苷類衍生物)	KBP BioSciences	PRC	2007-1-17	200710013231.6
Compounds used for viral infection (用於病毒性感染的化合物)	KBP BioSciences	PRC	2006-12-1	200610070608.7
Compounds with antiviral activity (具有抗病毒活性的化合物)	KBP BioSciences	PRC	2006-12-1	200610070609.1
Novel compounds with antiviral activity (新的具有抗病毒活性的化合物)	KBP BioSciences	PRC	2007-12-1	200710197048.6
Compounds with antimicrobial and antiviral activity (具有抗菌抗病毒活性的化合物)	KBP BioSciences	PRC	2007-9-27	200710162946.8
Quinolizine derivatives with antibacterial activity (具有抗菌活性的喹嗪類衍生物)	KBP BioSciences	PRC	2006-10-14	200610135895.5
Cinnamic amide derivatives (肉桂醯胺衍生物)	KBP BioSciences	PRC	2007-12-1	200710197030.6
Alanine derivatives (丙氨酸衍生物)	KBP BioSciences	PRC	2007-12-7	200710300909.9
Compounds with liver-protecting activity (具有保肝活性的化合物)	KBP BioSciences	PRC	2006-12-1	200610070610.4
Hydrate of medicinal salt of Fasudil (法舒地爾的藥用鹽的水合物)	KBP BioSciences	PRC	2006-6-23	200610044980.0
Metal salt of quinaprilat (喹那普利拉的金屬鹽)	KBP BioSciences	PRC	2006-9-12	200610167524.5
Salt amino acid of ferulic acid (阿魏酸的氨基酸鹽)	KBP BioSciences	PRC	2006-12-1	200710197029.3

Patent	Applicant(s)	Place of Registration	Application Date for Registration	Patent Number
Pyritinol injection with special purpose solvent (配有專用溶媒的吡硫醇注射劑)	KBP BioSciences	PRC	2006-10-20	200610069510.X
Medical composition of notoginseng extract, red sage extract and ligustrazine (三七提取物、丹參提取物和川芎嗪的藥物組合物)	KBP BioSciences	PRC	2008-4-25	200510044531.1
Medical composition of safflower and haw leaf (一種由紅花與山楂葉製成的藥物組合物)	KBP BioSciences	PRC	2006-04-03	200610043413.3
Medical composition of ginkgo and puerarin (一種由銀杏葉與葛根素製成的藥物組合物)	KBP BioSciences	PRC	2006-04-07	200610043506.6
Medical composition for treating cardio-cerebral vascular diseases (一種治療心腦血管疾病的藥物組合物)	KBP BioSciences	PRC	2006-06-30	200610045259.3
Benzsulfamide methylene substituted mercaptopyrrolidone carbapenem derivatives (苯磺醯胺亞甲基取代的巰基吡咯烷碳青霉烯衍生物)	KBP BioSciences	PCT受理國際階段	2008-8-26	PCT/CN2008/001532
Medical composition of mecobalamine and light magnesia, and preparation method thereof (一種甲鈷胺與輕質氧化鎂的藥物組合物及其製備方法)	Beijing Sihuan, Hainan Sihuan	PRC	2009-1-16	200910001263.3
Composition of monosialotetrahexosyl ganglioside sodium and glutamic acid monosialotetrahexosyl gang-lioside sodium (一種單唾液酸四己糖神經節苷脂鈉與谷氨酸的組合物)	Beijing Sihuan, Hainan Sihuan	PRC	2009-2-3	200910008476.9
Composition of sodium ozagrel and polyethylene glycol, and preparation method thereof (一種奧紮格雷鈉與聚乙二醇的組合物及其製備方法)	Beijing Sihuan, Hainan Sihuan	PRC	2009-1-16	200910001260.x
Medical composition of nalmefene hydrochloride and polyvinylpyrrolidone, and preparation method thereof (鹽酸納美芬與聚乙烯吡咯烷酮的藥物組合物及製備方法)	Beijing Sihuan, Hainan Sihuan	PRC	2009-2-27	200910009284.x
Composition of naloxone hydrocholoride and polyvinylpyrrolidone, and preparation method thereof (鹽酸納洛酮和聚乙烯吡咯烷酮的組合物及制備方法)	Beijing Sihuan, Hainan Sihuan	PRC	2009-2-3	200910008479.2
Cinepazide maleate crystal form and preparation method thereof (馬來酸桂哌齊特晶型及其製備方法)	Beijing Sihuan	PRC	2008-04-24	200910162811.0

Patent	Applicant(s)	Place of Registration	Application Date for Registration	Patent Number
Cinepazide — hydrate, crystal form and preparation method thereof (桂哌齊特一水合物、晶型及其製備方法)	Beijing Sihuan	PRC	2008-11-04	200810225878.X
Methanesulfonic acid cinepazide crystal form and preparation method thereof (甲磺酸桂哌齊特晶型及其製備方法)	Beijing Sihuan	PRC	2008-12-01	200810227863.7
Medical composition of naloxone hydrocholoride and polyethylene glycol, and preparation method thereof (一種鹽酸納洛酮與聚乙二醇的藥物組合物及其製備方法)	Beijing Sihuan , Hainan Sihuan	PRC	2009-02-03	200910008478.8
Cinepazide nitrogen oxides, preparation method and use thereof (桂哌齊特氮氧化物、其製備方法和用途)	Beijing Sihuan	PRC	2009-09-29	200910176994.1
Highly safe cinepazide medical composition, preparation method and application thereof (一種安全性高的桂哌齊特藥用組合物及其製備方法和其應用)	Beijing Sihuan	PRC	2009-11-13	200910180174.X
Cinepazide maleate sesquidiploid hydrate, and preparation method thereof (馬來酸桂哌齊特二倍半水合物及其製備方法)	Beijing Sihuan	PRC	2009-12-03	200910250311.2
Medical composition containing L-glutamine (一種含L-穀氨醯胺的藥物組合物)	KBP BioSciences	PRC	2006-5-19	200610043997.4
Carbapenem derivatives (碳代青霉烯類衍生物)	KBP BioSciences	PRC	2008-08-27	200810214825.8
Dihydropyrrole methano substituted carbapenem derivatives (含有二氫吡咯亞甲基取代的碳代青霉烯衍生物)	KBP BioSciences	PRC	2008-08-06	200810145498.5
Penem derivatives with mercapto pyrrolidine formamide benzene alkyl heterocycle (含有巯基吡咯烷甲醯胺苯烷基雜環的培南衍生物)	KBP BioSciences	PRC	2008-06-27	200810129353.6
Carbapenem antibiotics (碳代青霉烯類抗生素)	KBP BioSciences	PRC	2008-06-28	200810129345.1
Formyl aniline substituted sulfhydryl pyrrolidine carbapenem compounds (甲醯苯胺取代的巯基吡咯烷碳青霉烯類化合物)	KBP BioSciences	PRC	2008-06-28	200810129340.9
Penem derivatives containing thiophen substituted sulfhydryl pyrrolidine (含有噻吩取代的巯基吡咯烷的培南衍生物)	KBP BioSciences	PRC	2008-06-14	200810124832.9

Patent	Applicant(s)	Place of Registration	Application Date for Registration	Patent Number
Pennem derivatives containing formamide heterocycle sulfonic acid amide sulfhydryl pyrrolidine (含有甲醯胺雜環磺醯胺巯基吡咯烷的培南衍生物)	KBP BioSciences	PRC	2008-06-06	200810109702.8
Cephalosporin derivatives containing condensed ring (含有稠環的頭孢菌素衍生物)	KBP BioSciences	PRC	2008-04-18	200810092563.2
Cephalosporin derivatives (頭孢菌素衍生物)	KBP BioSciences	PRC	2008-02-03	2008100742631
Sulfhydryl benzimidazole derivatives containing dioxepane-pyridine (含有二氧雜環庚烷並吡啶的巯基苯並咪唑衍生物)	KBP BioSciences	PRC	2008-01-25	200810013887.2
Novel cephalosporin compounds (新型頭孢菌素化合物)	KBP BioSciences	PRC	2007-12-07	200710300910.1
Cephalosporin derivatives (一種頭孢菌素衍生物)	KBP BioSciences	PRC	2007-12-07	200710300908.4
Novel cephalosporin derivatives (新的頭孢菌素衍生物)	KBP BioSciences	PRC	2007-12-09	200710196897.X
Medical composition of snakegourd fruit and ginkgo (一種瓜蔞和銀杏葉的藥物組合物)	KBP BioSciences	PRC	2006-09-25	200610159484.X
Metal salt of pyritinol and hydrate thereof (吡硫醇的金屬鹽及其水合物)	KBP BioSciences	PRC	2006-08-11	200610069695.4
Medical composition for treating hysteromyoma (一種用於子宮肌瘤的藥物組合物)	KBP BioSciences	PRC	2006-09-11	200610068860.4
Medicine for treating cervical vertebra disease (一種治療頸椎病的藥物)	KBP BioSciences	PRC	2006-07-21	200610045542.6
Medicine for treating cardio-cerebral vascular diseases (一種治療心腦血管疾病的藥物)	KBP BioSciences	PRC	2006-07-07	200610045299.8
An antineoplastic medical composition (一種抗腫瘤的藥物組合物)	KBP BioSciences	PRC	2006-05-15	200610043949.5
Taurine and medical composition for treating cardio-cerebral vascular diseases (牛磺酸和治療心腦血管疾病的藥物的組合物)	KBP BioSciences	PRC	2006-04-29	200610043898.6
Novel anticancer medical composition (一種新的抗癌藥物組合物)	KBP BioSciences	PRC	2006-04-03	200610043412.9
Medical composition with dauricine and houttuynin sodium (一種由北豆根與新魚腥草素鈉製成的藥物組合物)	KBP BioSciences	PRC	2005-09-26	200510044765.6

As at the Latest Practicable Date, our Group had been granted authorisation to utilise the following patents:

Patent	Registered Owner	Place of Registration	Date of Application (Note *)	Patent Number
Pharmaceutical salt of cinepazide and preparation method thereof (桂哌齊特的藥用鹽及其製備方法) *(Note 1)*	Dr. Che	PRC	2006-8-8	200610110549.1
Lyophilised cerebral protein hydrolysate for injection and preparation method thereof (注射用腦蛋白水解物凍幹劑及其製備方法) *(Note 2)*	Dr. Guo	PRC	2006-10-13	200610150892.9
Extraction process of polygonapolyose (黃精多糖的提取方法)	Wu Shenrong, Li Youyuan, Xiao Sa	PRC	2002-1-6	02102167.8
Uses of polygonapolyose (黃精多糖的用途)	Wu Shenrong, Li Youyuan, Xiao Sa	PRC	2002-1-6	03143330.8
Monosialotetrahexosyl gang- lioside sodium liposome compounds (單唾液酸四己糖神經節苷脂脂質體複合物製劑)	Chongqing Fujin Bio-Pharmaceutical Co., Ltd.	PRC	2003-1-13	03101154.3

Notes:

(*) All the patents listed in this table are valid for a period of 20 years from the date of application.

(1) A patent transfer agreement dated 20 August 2010 was entered into between Dr. Che and Beijing Sihuan, pursuant to which Dr. Che agreed to transfer this patent to Beijing Sihuan at nil consideration. The relevant registration procedures were yet to be completed as at the Latest Practicable Date and during the interim Beijing Sihuan had the right to continue to use this patent pursuant to the Second Patent Licensing Agreement (as defined in the "Connected Transactions" section in this prospectus).

(2) A patent transfer agreement dated 20 August 2010 was entered into between Dr. Guo and Shenzhen Sihuan, pursuant to which Dr. Guo agreed to transfer this patent to Shenzhen Sihuan at nil consideration. The relevant registration procedures were yet to be completed as at the Latest Practicable Date and during the interim Shenzhen Sihuan had the right to continue to use this patent pursuant to the First Patent Licensing Agreement (as defined in the "Connected Transactions" section in this prospectus).

(b) Trademarks

As at the Latest Practicable Date, our Group was the registered proprietor and beneficial owner of the following trademarks:

Trademark	Registered Owner	Place of Registration	Date of Registration	Expiry Date	Class	Registration Number
	Beijing Sihuan	PRC	2001-2-7	2011-2-6	5	1516476
安捷利	Hainan Sihuan	PRC	2004-10-14	2014-10-13	5	3445634
克林澳	Beijing Sihuan	PRC	2002-12-14	2012-12-13	5	3013068
万原	Beijing Sihuan	PRC	2002-11-21	2012-11-20	5	1972946
唯爱澳	Hainan Sihuan	PRC	2003-5-28	2013-05-27	5	3116179
欣浦澳	Hainan Sihuan	PRC	2003-5-28	2013-05-27	5	3116167
赛美澳	Hainan Sihuan	PRC	2003-5-28	2013-05-27	5	3116178
法可澳	Hainan Sihuan	PRC	2004-5-7	2014-05-06	5	3338294
圣浦澳	Hainan Sihuan	PRC	2004-5-7	2014-05-06	5	3338299
营澳	Hainan Sihuan	PRC	2004-5-7	2014-05-06	5	3338296
普奇澳	Hainan Sihuan	PRC	2004-5-7	2014-05-06	5	3338291
仁澳	Hainan Sihuan	PRC	2004-5-7	2014-05-06	5	3338297
宁欣澳	Hainan Sihuan	PRC	2004-5-7	2014-05-06	5	3338298
普达澳	Hainan Sihuan	PRC	2004-5-7	2014-05-06	5	3338293
川青	Hainan Sihuan	PRC	2004-5-7	2014-05-06	5	3338295
澳达兴	Hainan Sihuan	PRC	2006-5-7	2016-05-06	5	3880264
杰澳	Hainan Sihuan	PRC	2006-5-7	2016-05-06	5	3880265
澳浦宁	Hainan Sihuan	PRC	2006-12-14	2016-12-13	5	4037587
澳拉欣	Hainan Sihuan	PRC	2006-12-14	2016-12-13	5	4115140
康斯澳	Hainan Sihuan	PRC	2007-3-28	2017-03-27	5	4115139
艾森澳	Hainan Sihuan	PRC	2004-5-7	2014-5-6	5	3338292
澳特杰	Hainan Sihuan	PRC	2007-3-28	2017-03-27	5	4115136
沙浦澳	Hainan Sihuan	PRC	2007-3-28	2017-03-27	5	4115135

Trademark	Registered Owner	Place of Registration	Date of Registration	Expiry Date	Class	Registration Number
澳联圣	Hainan Sihuan	PRC	2007-3-28	2017-03-27	5	4115134
比澳威	Hainan Sihuan	PRC	2007-3-28	2017-03-27	5	4115133
希柏澳	Hainan Sihuan	PRC	2007-3-28	2017-03-27	5	4115132
东澳	Hainan Sihuan	PRC	2007-3-28	2017-03-27	5	4115131
坤澳	Hainan Sihuan	PRC	2007-3-28	2017-03-27	5	4115130
澳格星	Hainan Sihuan	PRC	2007-3-28	2017-03-27	5	4115129
澳君肽	Hainan Sihuan	PRC	2007-3-28	2017-03-27	5	4115128
澳替叮	Hainan Sihuan	PRC	2007-3-28	2017-03-27	5	4115127
雷兴澳	Hainan Sihuan	PRC	2007-3-28	2017-03-27	5	4115146
斯罗澳	Hainan Sihuan	PRC	2007-3-28	2017-03-27	5	4115145
澳必健	Hainan Sihuan	PRC	2007-3-28	2017-03-27	5	4115144
澳彤	Hainan Sihuan	PRC	2007-3-28	2017-03-27	5	4115143
澳酊	Hainan Sihuan	PRC	2008-1-28	2018-01-27	5	4356172
卓澳	Hainan Sihuan	PRC	2008-1-7	2018-01-06	5	4356174
佳必澳	Hainan Sihuan	PRC	2008-1-7	2018-01-06	5	4356175
澳杉	Hainan Sihuan	PRC	2008-1-7	2018-01-06	5	4356176
嘉澳松	Hainan Sihuan	PRC	2008-1-7	2018-01-06	5	4356177
啡迪澳	Hainan Sihuan	PRC	2008-1-7	2018-01-06	5	4356178
浦迪澳	Hainan Sihuan	PRC	2008-1-7	2018-01-06	5	4356179
威澳	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402588
澳苷	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402589
依澳	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402590
氪澳	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402591
曲奥	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402592
澳菲健	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402594
澳依康	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402596
卡斯汀	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402597

Trademark	Registered Owner	Place of Registration	Date of Registration	Expiry Date	Class	Registration Number
卡普澳	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402598
呋星澳	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402599
曲新澳	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402600
柯澳	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402601
宏澳	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402602
澳仕维	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402603
澳升威	Hainan Sihuan	PRC	2008-3-14	2018-03-13	5	4402604
澳辅乐	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402605
澳尔凡	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402606
吉澳健	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402607
尼澳欣	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402608
尼澳松	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402609
澳益康	Hainan Sihuan	PRC	2008-2-21	2018-02-20	5	4402610
沙威澳	Hainan Sihuan	PRC	2008-2-28	2018-02-27	5	4402339
澳良	Hainan Sihuan	PRC	2008-2-28	2018-02-27	5	4402338
必升澳	Hainan Sihuan	PRC	2008-2-28	2018-02-27	5	4402337
罗迈灵	Hainan Sihuan	PRC	2009-2-14	2019-02-13	5	4804238
谱灭	Hainan Sihuan	PRC	2009-2-14	2019-02-13	5	4804237
唯复宁	Hainan Sihuan	PRC	2009-2-14	2019-02-13	5	4804250
生力能	Hainan Sihuan	PRC	2009-2-14	2019-02-13	5	4804249
强力能	Hainan Sihuan	PRC	2009-2-14	2019-02-13	5	4804248
回能	Hainan Sihuan	PRC	2009-2-14	2019-02-13	5	4804247
卡其平	Hainan Sihuan	PRC	2009-2-14	2019-02-13	5	4804246
卡其消	Hainan Sihuan	PRC	2009-2-14	2019-02-13	5	4804245
扶尼康	Hainan Sihuan	PRC	2009-2-14	2019-02-13	5	4804244
缓平舒	Hainan Sihuan	PRC	2009-2-14	2019-02-13	5	4804241
奥沙星	Hainan Sihuan	PRC	2009-2-21	2019-02-20	5	4804329

Trademark	Registered Owner	Place of Registration	Date of Registration	Expiry Date	Class	Registration Number
颠正	Hainan Sihuan	PRC	2009-2-21	2019-02-20	5	4804327
楼齐特	Hainan Sihuan	PRC	2009-2-14	2019-02-13	5	4804232
瑞立澳	Hainan Sihuan	PRC	2008-4-14	2018-04-13	5	4402595
莱普汀	Shenzhen Sihuan	PRC	2008-3-28	2018-3-27	5	4444568
莱普迪	Shenzhen Sihuan	PRC	2008-3-28	2018-3-27	5	4444569
洛普澳	Shenzhen Sihuan	PRC	2008-3-21	2018-03-20	5	4442250
莱普澳	Shenzhen Sihuan	PRC	2008-3-28	2018-03-27	5	4444570
科迪澳	Shenzhen Sihuan	PRC	2008-4-7	2018-04-06	5	4441597
哈弗奇	Shenzhen Sihuan	PRC	2008-4-7	2018-04-06	5	4431257
益康宁	Shenzhen Sihuan	PRC	2008-4-7	2018-04-06	5	4431260
欣诺澳	Shenzhen Sihuan	PRC	2008-4-7	2018-04-06	5	4443137
美格尔	Shenzhen Sihuan	PRC	2008-4-14	2018-04-13	5	4431266
奥斯汀	Shenzhen Sihuan	PRC	2008-6-14	2018-06-13	5	4443138
辛力迪	Shenzhen Sihuan	PRC	2008-3-21	2018-03-20	5	4442252
奇力汀	Shenzhen Sihuan	PRC	2008-4-7	2018-04-06	5	4431262
哌奇欣	Shenzhen Sihuan	PRC	2008-4-14	2018-04-13	5	4431264
必澳	Shenzhen Sihuan	PRC	2008-4-7	2018-04-06	5	4431261
辛普森	Shenzhen Sihuan	PRC	2008-4-7	2018-04-06	5	4441598
维博欣	Shenzhen Sihuan	PRC	2008-4-7	2018-04-06	5	4443136
维博奇	Shenzhen Sihuan	PRC	2008-3-28	2018-03-27	5	4444571
莱普森	Shenzhen Sihuan	PRC	2008-3-21	2018-03-20	5	4442251
贝尔奇	Shenzhen Sihuan	PRC	2008-3-21	2018-03-20	5	4442253
丽尼可	Hainan Sihuan	PRC	2009-11-28	2019-11-27	5	5712330
利 蓬	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088571
卡 捷	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088580
啡尼可	Hainan Sihuan	PRC	2010-1-28	2020-1-27	5	5712333
婷尼可	Hainan Sihuan	PRC	2009-11-28	2019-11-27	5	5712332

Trademark	Registered Owner	Place of Registration	Date of Registration	Expiry Date	Class	Registration Number
孚 宁	Beijing Sihuan	PRC	2000-10-14	2010-10-13	5	1456600
安泰澳	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088560
幸 洁	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088548
幸 特	Hainan Sihuan	PRC	2009-9-21	2019-9-20	5	5088550
幸 美	Hainan Sihuan	PRC	2009-8-14	2019-8-13	5	5088549
晞佳讯	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088547
普 凝	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088574
杏 唯	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088557
杏脉	Hainan Sihuan	PRC	2009-7-28	2019-7-27	5	4804328
柯尼复	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088572
欣尼可	Hainan Sihuan	PRC	2009-11-28	2019-11-27	5	5712331
沙酮	Hainan Sihuan	PRC	2009-5-7	2019-5-6	5	4804325
澳力酮	Hainan Sihuan	PRC	2009-6-28	2019-6-27	5	4804326
澳 宜	Hainan Sihuan	PRC	2009-8-14	2019-8-13	5	5088545
澳心莲	Hainan Sihuan	PRC	2009-10-7	2019-10-6	5	5088562
澳格雷	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088544
澳 脉	Hainan Sihuan	PRC	2009-11-28	2019-11-27	5	5088546
澳莲	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088561
澳达捷	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088551
澳迪捷	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088552
特 莲	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088570
益脉宁	Hainan Sihuan	PRC	2009-7-28	2019-7-27	5	4804242
益脉清	Hainan Sihuan	PRC	2009-7-28	2019-7-27	5	4804243
纤 颖	Hainan Sihuan	PRC	2009-11-28	2019-11-27	5	5712329
纳洛奋	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088568
纳洛安	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088567
纳洛宜	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088565

Trademark	Registered Owner	Place of Registration	Date of Registration	Expiry Date	Class	Registration Number
纳洛苏	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088569
纳洛醒	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088566
维 丰	Hainan Sihuan	PRC	2009-8-14	2019-8-13	5	5088558
舒 胺	Hainan Sihuan	PRC	2009-8-14	2019-8-13	5	5088559
赛美尼可	Hainan Sihuan	PRC	2009-11-28	2019-11-27	5	5712327
西笙	Beijing Sihuan	PRC	2001-11-21	2011-11-20	5	1668556
迷尼可	Hainan Sihuan	PRC	2009-11-28	2019-11-27	5	5712326
钴 佳	Hainan Sihuan	PRC	2009-7-21	2019-7-20	5	5088553
钴 泰	Hainan Sihuan	PRC	2009-7-21	2019-7-20	5	5088555
骨捷	Hainan Sihuan	PRC	2009-9-27	2019-9-26	5	4804233
鹿 泰	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088556
钴 维	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088554
盼妥胃	Hainan Sihuan	PRC	2009-9-28	2019-9-27	5	5088564
盼妥凝	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088563
盼妥抑	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088582
澳美纳	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088581
澳美辛	Hainan Sihuan	PRC	2009-8-14	2019-8-13	5	5088543
洛血滞	Hainan Sihuan	PRC	2009-12-21	2019-12-20	5	5088579
澳星康	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088578
澳呔叮	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088577
心乃特	Hainan Sihuan	PRC	2009-9-28	2019-9-27	5	5088576
心内特	Hainan Sihuan	PRC	2009-9-28	2019-9-27	5	5088575
普 抑	Hainan Sihuan	PRC	2009-5-21	2019-5-20	5	5088573
安洛啶	Hainan Sihuan	PRC	2009-8-14	2019-8-13	5	5101279
博达平	Shenzhen Sihuan	PRC	2008-4-7	2018-04-06	5	4431256

As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks in respect of which registration has yet to be duly effected:

Trademark	Applicant(s)	Place of Registration	Application Date for Registration	Class	Application Number
A. 四环医药 SihuanPharm B. 四环医药 SihuanPharm	Beijing Sihuan	Hong Kong	2010-9-6	5, 16, 35 and 44	301708128
A. 四环 SIHUAN B. 四环 SIHUAN	Beijing Sihuan	Hong Kong	2010-8-11	5, 16, 35 and 44	301686871
澳环	Hainan Sihuan	PRC	2008-12-26	5	7134755
澳连康	Hainan Sihuan	PRC	2008-12-26	5	7134719
左诗杰	Hainan Sihuan	PRC	2008-12-26	5	7134742
杰馨	Hainan Sihuan	PRC	2008-12-26	5	7134756
汀葆	Hainan Sihuan	PRC	2008-12-26	5	7134743
伐汀	Hainan Sihuan	PRC	2008-12-26	5	7134744
斯环葆	Hainan Sihuan	PRC	2008-12-26	5	7134745
卡斯坦	Hainan Sihuan	PRC	2008-12-26	5	7134746
星洛克	Hainan Sihuan	PRC	2008-12-26	5	7134747
澳连克	Hainan Sihuan	PRC	2008-12-26	5	7134758
邦亿同	Hainan Sihuan	PRC	2008-12-26	5	7134759
左斯芬	Hainan Sihuan	PRC	2008-12-26	5	7134760
纳本安	Hainan Sihuan	PRC	2008-12-26	5	7134761
莫本安	Hainan Sihuan	PRC	2009-2-5	5	7188998
格安莲	Hainan Sihuan	PRC	2008-12-26	5	7134762
沸洛定	Hainan Sihuan	PRC	2008-12-26	5	7134763
力纱嗪	Hainan Sihuan	PRC	2008-12-26	5	7134764

Trademark	Applicant(s)	Place of Registration	Application Date for Registration	Class	Application Number
克培兰	Hainan Sihuan	PRC	2008-12-26	5	7134765
莫酮安	Hainan Sihuan	PRC	2008-12-26	5	7134766
莫柄安	Hainan Sihuan	PRC	2008-12-26	5	7134767
左兰索	Hainan Sihuan	PRC	2008-12-26	5	7134219
三抚安	Hainan Sihuan	PRC	2008-12-26	5	7134220
雷凯嗪	Hainan Sihuan	PRC	2008-12-26	5	7134221
雷诺君	Hainan Sihuan	PRC	2008-12-26	5	7134222
法兰芬	Hainan Sihuan	PRC	2008-12-26	5	7134223
尼快德	Hainan Sihuan	PRC	2008-12-26	5	7134224
氟仁	Hainan Sihuan	PRC	2008-12-26	5	7134225
西诺快	Hainan Sihuan	PRC	2008-12-26	5	7134226
尼罗林	Hainan Sihuan	PRC	2008-12-26	5	7134227
安列同	Hainan Sihuan	PRC	2008-12-26	5	7134688
格比定	Hainan Sihuan	PRC	2008-12-26	5	7134689
替奈尔	Hainan Sihuan	PRC	2008-12-26	5	7134690
替奈欣	Hainan Sihuan	PRC	2008-12-26	5	7134691
替奈度	Hainan Sihuan	PRC	2008-12-26	5	7134692
酮唑安	Hainan Sihuan	PRC	2008-12-26	5	7134693
澳欣酯	Hainan Sihuan	PRC	2008-12-26	5	7134694
依达莱	Hainan Sihuan	PRC	2008-12-26	5	7134695
广唑林	Hainan Sihuan	PRC	2008-12-26	5	7134696
可替酮	Hainan Sihuan	PRC	2008-12-26	5	7134697
灯必舒	Hainan Sihuan	PRC	2008-12-26	5	7134698
灯必通	Hainan Sihuan	PRC	2008-12-26	5	7134699
杏悦素	Hainan Sihuan	PRC	2008-12-26	5	7134700
杏悦	Hainan Sihuan	PRC	2008-12-26	5	7134701
开唑林	Hainan Sihuan	PRC	2008-12-26	5	7134702

Trademark	Applicant(s)	Place of Registration	Application Date for Registration	Class	Application Number
澳位酮	Hainan Sihuan	PRC	2008-12-26	5	7134703
位通	Hainan Sihuan	PRC	2008-12-26	5	7134704
替酮	Hainan Sihuan	PRC	2008-12-26	5	7134705
益忠	Hainan Sihuan	PRC	2008-12-26	5	7134706
泮唑尔	Hainan Sihuan	PRC	2008-12-26	5	7134707
匹莫迪	Hainan Sihuan	PRC	2008-12-26	5	7134708
匹莫清	Hainan Sihuan	PRC	2008-12-26	5	7134709
匹莫强	Hainan Sihuan	PRC	2008-12-26	5	7134710
哌快	Hainan Sihuan	PRC	2008-12-26	5	7134711
麦澳格	Hainan Sihuan	PRC	2008-12-26	5	7134712
里澳	Hainan Sihuan	PRC	2008-12-26	5	7134713
澳路杰	Hainan Sihuan	PRC	2008-12-26	5	7134714
澳冉	Hainan Sihuan	PRC	2008-12-26	5	7134715
澳盈	Hainan Sihuan	PRC	2008-12-26	5	7134716
卡司替尔	Hainan Sihuan	PRC	2008-12-26	5	7134717
澳拉司雷	Hainan Sihuan	PRC	2008-12-26	5	7134718
澳尔浦	Hainan Sihuan	PRC	2008-12-26	5	7134720
博氢	Hainan Sihuan	PRC	2008-12-26	5	7134721
澳辅泰	Hainan Sihuan	PRC	2008-12-26	5	7134722
澳赛酮	Hainan Sihuan	PRC	2008-12-26	5	7134723
澳益延	Hainan Sihuan	PRC	2008-12-26	5	7134724
澳潘	Hainan Sihuan	PRC	2008-12-26	5	7134725
赛普啦町	Hainan Sihuan	PRC	2008-12-26	5	7134726
络比啡特	Hainan Sihuan	PRC	2008-12-26	5	7134727
瑾芝	Hainan Sihuan	PRC	2008-12-26	5	7134728
苷霖复	Hainan Sihuan	PRC	2008-12-26	5	7134729
联澳	Hainan Sihuan	PRC	2008-12-26	5	7134730

Trademark	Applicant(s)	Place of Registration	Application Date for Registration	Class	Application Number
哌替汀	Hainan Sihuan	PRC	2008-12-26	5	7134731
澳培罗	Hainan Sihuan	PRC	2008-12-26	5	7134732
澳哌齐	Hainan Sihuan	PRC	2008-12-26	5	7134733
澳泊苷	Hainan Sihuan	PRC	2008-12-26	5	7134734
环雪灵	Hainan Sihuan	PRC	2008-12-26	5	7134735
澳芯灵	Hainan Sihuan	PRC	2008-12-26	5	7134736
兰活欣	Hainan Sihuan	PRC	2008-12-26	5	7134737
山东澳	Hainan Sihuan	PRC	2008-12-26	5	7134748
兰贝澳	Hainan Sihuan	PRC	2008-12-26	5	7134749
兰欣灵	Hainan Sihuan	PRC	2008-12-26	5	7134750
澳捷欣	Hainan Sihuan	PRC	2008-12-26	5	7134751
快健欣	Hainan Sihuan	PRC	2008-12-26	5	7134752
环澳	Hainan Sihuan	PRC	2008-12-26	5	7134754
环欣澳	Hainan Sihuan	PRC	2008-12-26	5	7134753

Save as aforesaid, there are no other patents, trademarks, service marks or other intellectual or industrial property rights which are material in relation to our Group's business.

(c) Domain Names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain name in the PRC:

Domain Name	Registrant	Effective Period
bjbiosciences.com	Beijing Di Ao Lin	2010-4-14 to 2012-4-14
kbpbio.com	KBP BioSciences	2010-3-22 to 2011-3-27
kbpbiosciences.com	KBP BioSciences	2010-3-22 to 2011-3-27
sihuanpharm.asia	Hainan Sihuan	2008-5-19 to 2013-5-19
sihuanpharm.com	Hainan Sihuan	2008-5-19 to 2013-5-19
sihuanpharm.com.cn	Hainan Sihuan	2008-5-19 to 2013-5-19
sihuanpharm.hk	Hainan Sihuan	2008-5-19 to 2013-5-19
sihuanpharm.KR	Hainan Sihuan	2008-5-19 to 2013-5-19
sihuanpharm.net	Hainan Sihuan	2008-5-19 to 2013-5-19
sihuanpharm.tw	Hainan Sihuan	2008-5-19 to 2013-5-19

Domain Name	Registrant	Effective Period
szshpharm.com.	Shenzhen Sihuan	2010-3-4 to 2011-3-4
szshpharm.com.cn	Shenzhen Sihuan	2010-3-4 to 2011-3-4

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

1. Disclosure of interests

Immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Over-Allotment Option is not exercised, the interest or short position of Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required pursuant to Model Code for Securities Transactions by Directors of Listed Companies to be notified to our Company and the Stock Exchange once the Shares are listed are as follows:

(i) **Directors' interests in the Shares**

Name of Director	Nature of Interest/Capacity	Number of Shares	Approximate Percentage of Shareholding
Dr. Che *(Note 1)*	Beneficial interest, interest in a controlled corporation and settlor of a trust	3,348,750,000	67.0%
Dr. Guo	Beneficial interest	26,250,000	0.5%

Note:

(1) Dr. Che is the beneficial owner of 51% of the issued share capital of Plenty Gold as well as one of the settlors of the trust for which Trustee Co is trustee, and is deemed to be interested in the 3,255,000,000 Shares held by Plenty Gold in our Company. Since Plenty Gold is the sole shareholder of Trustee Co and that Dr. Che is one of the settlors of the trust assets (being Shares in our Company) held by Trustee Co, he is also deemed to be interested in the 33,750,000 Shares held by Trustee Co. Dr. Che also directly holds 60,000,000 the Shares in our Company.

(ii) **Directors' interest in the shares of associated corporations**

Name of Associated Corporation	Name of Director	Nature of Interest/Capacity	Number of Shares	Approximate Percentage of Shareholding
Plenty Gold	Dr. Che	Beneficial interest	3,825,000	51%
Plenty Gold	Dr. Guo	Beneficial interest	1,875,000	25%
Plenty Gold	Mr. Meng	Beneficial interest	825,000	11%
Plenty Gold	Dr. Zhang	Beneficial interest	760,714	10.14%

2. **Substantial shareholders**

(a) So far as the Directors are aware, immediately following the completion of the Share Offer and assuming that the Over-Allotment Option is not exercised, but taking no account of Shares which may be taken up under the Share Offer, the following persons, not being a director or chief executive officer of the Company, will have an interest and/or a short position in the shares or underlying shares of the Company that 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 our Company:

Name of Shareholder	Nature of Interest/Capacity	Number of Shares*(Note 4)*	Approximate Percentage of Shareholding
Plenty Gold *(Note 1)*	Beneficial interest and settor of a trust	3,288,750,000 *(L)*	65.1%
Plenty Gold *(Note 2)*	Beneficial interest	187,500,000 *(S)*	3.8%
MSPEA Pharma BV *(Note 3)* . .	Beneficial interest	375,000,000 *(L)*	7.5%
MSPEA III Coop *(Note 3)*	Interest in a controlled corporation	375,000,000 *(L)*	7.5%
MSPEA III Cayman *(Note 3)* . .	Interest in a controlled corporation	375,000,000 *(L)*	7.5%
MSPEA III *(Note 3)*.	Interest in a controlled corporation	375,000,000 *(L)*	7.5%
MSPEA III GP *(Note 3)*	Interest in a controlled corporation	375,000,000 *(L)*	7.5%
MSPEA III Inc *(Note 3)*	Interest in a controlled corporation	375,000,000 *(L)*	7.5%

Notes:

(1) Plenty Gold directly holds 3,255,000,000 Shares in our Company. It is also the sole shareholder of Trustee Co which holds 33,750,000 Shares in our Company and is deemed to be interested in the 33,750,000 Shares held by Trustee Co.

(2) Plenty Gold is taken to be interested in the short position of the 187,500,000 Shares pursuant to the Stock Borrowing Agreement for the SFO.

(3) MSPEA Pharma BV is a private limited liability company established under Dutch law which is wholly-owned by MSPEA III Coop. MSPEA III Coop is a cooperative established under Dutch law and wholly-owned by MSPEA III Cayman. MSPEA III Cayman is an exempted company incorporated in Cayman Islands with limited liability and is controlled by MSPEA III, a fund managed by the private equity arm of Morgan Stanley. The general partner of MSPEA III is MSPEA III GP, the managing member of which is MSPEA III Inc., an investment advisor registered with the U.S. Securities and Exchange Commission. Each of MSPEA III Coop, MSPEA III Cayman, MSPEA III, MSPEA III GP and MSPEA III Inc. is deemed to be interested in the Shares held by MSPEA Pharma BV.

(4) The letter "L" denotes the shareholder's long position in such Shares and the letter "S" denotes the shareholder's short position in such Shares.

(b) As of the Latest Practicable Date, so far as is known to our Directors, the following persons will be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name of Shareholder	Name of Group Company	Percentage of Shareholding
Ma Hongchi	Gao Duan Wei Ye	20.0%
Li Wei	Gao Duan Wei Ye	20.0%
Beijing Gao Bo Medicinal Chemistry Technology Co., Ltd.	Langfang Sihuan	34.0%
Wang Fuping	Langfang Sihuan	10.0%
Mr. Huang	KBP BioSciences	17.0%
Cai Jun	KBP BioSciences	23.0%

3. Particulars of service agreements

Each of Dr. Che, Dr. Guo and Mr. Meng, being our executive directors, has entered into a service contract with our Company on 8 October 2010 for a term of three years commencing from the Listing Date, subject to termination before expiry by either party giving not less than three months' notice in writing to the other, provided that such termination shall not occur during the first 12 months of the contract. Under these service contracts, each of Dr. Che, Dr. Guo and Mr. Meng will receive a monthly salary (including any director's fees) of RMB100,000, RMB50,000 and RMB25,000, respectively (such annual salary is subject to annual review by our Board and the remuneration committee) and a discretionary bonus as may be decided by our Board and the remuneration committee at their discretion, having regard to the performance of the relevant executive Director. Such executive Director shall abstain from voting, and not be counted in the quorum, in respect of any resolution of our Board approving the determination of the salary, bonus and other benefits payable to him.

Each of Dr. Zhang, Mr. Homer Sun and Mr. Eddy Huang, being our non-executive directors, has entered into a letter of appointment with our Company on 8 October 2010, 8 October 2010 and 9 October 2010, respectively. Each letter of appointment is for an initial term of one year commencing from the Listing Date, and shall continue thereafter unless terminated by either party giving at least three months' notice in writing. The non-executive Directors will not receive any remuneration from our Company.

Each of Mr. Patrick Sun, Mr. Bai Huiliang and Mr. Xu Kangsen, being our independent non-executive directors, has entered into a letter of appointment with our Company on 8 October 2010, 8 October 2010 and 5 October 2010, respectively. Each letter of appointment is for an initial term of one year commencing from the Listing Date, and shall continue thereafter unless terminated by either party giving at least three months' notice in writing. The annual fee for Mr. Patrick Sun, Mr. Bai Huiliang and Mr. Xu Kangsen are HK$300,000, RMB240,000 and RMB 240,000 respectively.

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).

4. Directors' remuneration

Remuneration and benefits in kind of approximately RMB14 million in aggregate were paid and granted by our Group to the 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 ending 31 December 2010, is expected to be approximately RMB13 million.

5. 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 our Company or any of its subsidiaries.

6. Disclaimers

Save as disclosed in this prospectus,

(a) none of the Directors or chief executive of our Company has any interest and/or short position in the shares, underlying shares, listed or unlisted derivatives of or debentures of our Company or any of its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, will be required to be notified to our 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 our 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 our Group, or are proposed to be acquired or disposed of by or leased to any member of our 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 our Group taken as a whole;

(e) and taking no account of any Shares which may be taken up under the Global Offering, the Directors are not aware of any person who, immediately following the completion of the Global Offering (but without taking account of Shares which may be taken up under the Global Offering and Shares falling to be allotted and issued upon the exercise of the Over-Allotment Option), will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, 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 our Group; and

(f) none of the experts named in the paragraph headed "Consents of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. OTHER INFORMATION

1. Further information about our Group's subsidiaries

As at the Latest Practicable Date, the following were our Group's subsidiaries:

Name of our subsidiaries	Place and date of incorporation/ establishment	Issued/paid-up capital (HK$/RMB)	Attributable equity interest		Principal activities
			Direct	Indirect	
Sun Moral	Hong Kong, 5 October 2007	HK$10,000	100%	—	Investment holding
Hainan Sihuan	PRC, 16 March 2001	RMB200,000,000	—	100%	Marketing of pharmaceutical products
Hainan Sihuan CVD Research	PRC, 21 December 2005	RMB6,000,000	—	100%	Development of first-to-market generic drugs
Hainan Sihuan Information	PRC, 4 March 2004	RMB1,000,000	—	100%	Not engaged in business activities
Hainan Sihuan Technology	PRC, 10 March 2006	RMB1,000,000	—	100%	Not engaged in business activities
Gao Duan Wei Ye	PRC 25 July 2005	RMB700,000	—	60%	Development of overseas collaboration opportunities

Name of our subsidiaries	Place and date of incorporation/ establishment	Issued/paid-up capital (HK$/RMB)	Attributable equity interest		Principal activities
			Direct	Indirect	
Shenzhen Sihuan.	PRC, 13 August 2003	RMB3,000,000	—	100%	Marketing of pharmaceutical products
Beijing Sihuan	PRC, 26 December 1995	RMB30,353,000	—	100%	Manufacturing of pharmaceutical products
KBP BioSciences	PRC, 23 April 2002	RMB50,000,000	—	60%	Research and development of pharmaceutical products
Beijing Di Ao Lin.	PRC, 5 February 2010	RMB3,000,000	—	60%	Registration application of products
Langfang Sihuan.	PRC, 24 July 2009	RMB30,000,000	—	51%	Manufacturing of raw materials
Beijing Ao He Research	PRC 12 May 2010	RMB3,600,000	—	100%	Research and development of pharmaceutical products
Hainan Ao He	PRC 31 March 2006	RMB2,000,000	—	100%	Trading of pharmaceutical products

2. Indemnities

Plenty Gold, Dr. Che, Dr. Guo, Mr. Meng, Dr. Zhang and Mr. Huang, being our Controlling Shareholders (the "**Indemnifiers**"), have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of our subsidiaries). Under the deed of indemnity, amongst others, the Indemnifiers will indemnify each of the members of our Group against (a) taxation (including estate duty) falling on any member of our Group resulting from, or by reference to, any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the Listing Date; (b) any actions, claims, losses, damages, costs, charges, expenses and liabilities (including but not limited to losses of the business suffered) arising from or as a result of any non-compliance with any applicable rules or regulations or contractual obligations or other commitments; and (c) all costs or expenses, losses and/or other liabilities incurred by our Group in relation to any outstanding or unsettled legal and arbitration proceedings, investigations and/or claims to the extent exceeding the relevant amounts of provisions made by the Group.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation where, among others, (a) a provision has been made for such taxation in the audited accounts of our Company for the three years ended 31 December 2009 and six months ended 30 June 2010; and (b) the taxation falling on our Company and our subsidiaries in respect of any accounting period commencing on or after the Listing Date unless liability for such taxation would not have arisen but for some event entered into by the Indemnifiers or any member of our Group (whether alone or in conjunction with some other event whenever occurring) otherwise than in the course of normal day-to-day trading operations on or before the Listing Date.

The Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in Bermuda or the PRC.

3. Litigation

As at the Latest Practicable Date, no member of our 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 our Group.

4. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned herein, including any Shares that may be issued under the Over-Allotment Option.

5. Preliminary expenses

There is no preliminary expense of our Company which is payable by our Company.

6. Consents of experts

Morgan Stanley, UBS, PricewaterhouseCoopers, Jones Lane LaSalle Sallmanns Limited, Haiwen & Partners and Conyers Dill & Pearman 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.

Save for the shareholding interests of MSPEA III Cayman, an overseas affiliate of Morgan Stanley, in the Company as disclosed in the section headed "History, Reorganisation and Corporate Structure — Shareholding and Group Structure" in this prospectus, all of the experts named above are independent from the Company.

Name	Qualification
Morgan Stanley	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising in securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance
UBS	A licensed corporation by the SFC for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities
PricewaterhouseCoopers	Certified public accountants
Jones Lang LaSalle Sallmanns Limited	Property valuer
Haiwen & Partners	Legal advisers on PRC law
Conyers Dill & Pearman	Bermuda barristers and attorneys

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 Companies Ordinance so far as applicable.

8. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

9. Miscellaneous

(a) Save as disclosed in this prospectus,

(i) within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(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 our Company or any of its subsidiaries;

(iii) within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iv) there has been no material adverse change in the financial position or prospects of our Group since 30 June 2010 (being the date to which the latest audited consolidated financial statements of our Group were made up); and

(v) 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 our Company or any of its subsidiaries.

(b) Our Company has no founder shares, management shares or deferred shares.

(c) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

E. SPONSORS' AND UNDERWRITERS' INTEREST IN THE COMPANY

MSPEA Pharma BV will hold approximately 7.5% of the issued share capital of the Company immediately following completion of the Capitalisation Issue and the Global Offering (but without taking into account the exercise of the Over-Allotment Option).

MSPEA Pharma BV, being associates of Morgan Stanley Asia Limited, are regarded as members of the sponsor group of Morgan Stanley Asia Limited as defined in the Listing Rules. Accordingly, Morgan Stanley Asia Limited does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

UBS AG, Hong Kong Branch satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Global Coordinators and the other Underwriters will receive an underwriting commission of 2.75% of the aggregate Offer Price payable for the Offer Shares. Particulars of these commission and expenses are set forth under "Commission and expenses" above.

Save as disclosed above, none of the Joint Global Coordinators and the Underwriters is interested legally or beneficially in shares of the Company or any of its subsidiaries or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of its members nor any interest in the Global Offering.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND THE REGISTRAR OF COMPANIES IN BERMUDA

The documents attached to this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the **WHITE**, **YELLOW** and **GREEN** application forms;

(b) the written consents referred to in the section headed "Other Information" in Appendix VIII to this prospectus; and

(c) copies of the material contracts referred to in the section headed "B. Further Information about the Business — Summary of material contracts" in Appendix V to this prospectus.

The documents attached to this prospectus and delivered to the Registrar of Companies in Bermuda for filing were copies of the Application Forms.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Norton Rose Hong Kong at 38th Floor, Jardine House, 1 Connaught Place, 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 Bye-Laws of our Company;

(b) the accountant's report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(c) the letter from the reporting accountant on the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(d) the letter from PricewaterhouseCoopers and the Joint Sponsors relating to the profit forecast, the text of which are set out in Appendix III of this prospectus;

(e) the letter, summary of values, and valuation certificate relating to our Group's property interests prepared by Jones Lang LaSalle Sallmanns Limited, the text of which is set out in Appendix IV to this prospectus;

(f) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Bermuda company law referred to in Appendix V to this prospectus;

(g) the Bermuda Companies Act;

(h) the material contracts referred to in the section headed "Further Information about the Business — Summary of material contracts" in Appendix VIII to this prospectus;

(i) the written consents referred to in the section headed "Other information — Consents of experts" in Appendix VIII to this prospectus;

(j) the employment agreements and letters of appointment referred to in the section headed "Further information about directors, management and staff" in Appendix VIII to this prospectus; and

(k) the PRC legal opinions prepared by Haiwen & Partners in respect of, among other things, general matters, property interests and taxation matters of the Group in this prospectus.


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